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AUTHOR Conable, Sharon R.

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ABSTRACT

This manual provides a conceptual framework and reference source concerning the reporting, financial contractual, and auditing requirements for recipients of Texas State Library grants funded with state and federal funds under the Library Systems Act (LSA) and the Library Services and Construction Act (LSCA). The handbook is divided into 12 sections: (1) Grant Organizations; (2) Grant Requirements; (3) Grant Financial Management; (4) Basic Cost Principles; (5) Performance Reporting; (6) Program Revision Procedures; (7) Property Management; (8) Procurement Standards; (9) Debarment and Suspension; (10) Record Retention; (11) Enforcement; and (12) Grant Close-Out. Information is presented in outline format and copies of forms and examples are included. Seven appendices present additional related guidelines and information: forms; common questions and answers; appeals procedure; and guidelines for prior approvals, system property inventory, property inventory, and library materials inventory. (SWC)

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Grant Management Handbook

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Texas State Library and Archives Commission

A Procedures Manual to
Uniform Grants and Contract Management Standards
Based on Texas Civil Statutes, Article 4413 (32g)

and

The Common Rule for Uniform Administrative Requirements
for Grants and Cooperative Agreements
to State and Local Governments

IR056437

Prepared by:
Sharon R. Conable, Grants Administrator

July 1996
Library Development Division

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PREFACE

The *Uniform Grant and Contract Management Standards* (UGCMS) for state agencies were developed under the directive of the Uniform Grant and Contract Management Act of 1981, Texas Civil Statutes, Article 441 (32g). The objective of these standards is to provide consistent grant application and administrative procedures for state agencies which award grants or contracts to local governments.

The Office of Management and Budget issued *Grants and Cooperative Agreements with State and Local Governments* in an attempt to establish consistency and uniformity in the administrative requirements for grants awarded to local governmental entities by the federal government. The document is divided in three (3) parts: Pre-Award Policies, Post-Award Policies, and After-the-Grant Policies.

This handbook has been prepared by the Library Development Division of the Texas State Library for the purpose of orienting Grantees to the requirements of the issued *Grants and Cooperative Agreements with State and Local Governments* and the *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations.* It is the intent of the handbook to provide a conceptual framework and reference source concerning the reporting, financial contractual, and auditing requirements for recipients of Texas State Library grants funded with state and federal funds under the Library Systems Act (LSA) and the Library Services and Construction Act (LSCA).

The *Uniform Grant and Contract Management Standards*, *OMB Circulars*, and the *Federal Grants Management Handbook* have been used as a reference source in the preparation of this handbook.

Section 1

¶ **Section 1:**

◆ ***Personnel.***

There are responsibilities related to the receipt and administration of grants. These responsibilities involve managing the programmatic, financial, and reporting aspects of the project. These responsibilities should be divided and assigned to various personnel within the grant project. The grantee will report all personnel's duties and pay if the salaries are paid with grant funds. IT IS THE RESPONSIBILITY OF THE GRANTEE TO NOTIFY THE TEXAS STATE LIBRARY OF ANY VACANCIES OR NEW PERSONNEL RELATED TO GRANT RESPONSIBILITIES. Failure to do so may result in the delay or refusal to accept reports.

◆ ***Receipt of the grant packet.***

Two original grant contracts will be delivered to you. Grantees should review the contract document immediately to ensure that the amount, payee name and mailing address are all correct. Any significant deviation should be brought to the attention of the Texas State Library by telephone or letter for correction, verification or renegotiation. One original grant contract must be returned to the Texas State Library. The other contract is for the grantee to retain.

The grant contract packet will include a Lobbying Certificate if the grant award was over $100,000. This must be signed and returned to ensure the grantees acceptance that grant funds may not be used for lobbying activities.

A Signature Certificate may be completed to allow for reimbursements by telefacsimile rather than the mail. The designated fiscal person must sign the Certificate and return it to the Texas State Library. The reimbursement forms must be completed as funds are needed with the designated fiscal person signing the form. The reimbursement form may be faxed to the Texas State Library. The faxed form's signature will be compared with the original signature on the Signature Certificate to ensure proper authorization. The original reimbursement form does not need to be mailed.

Reimbursement forms (Standard Form 270 - nonconstruction or Standard Form 271 - construction) and expenditure reports (Standard Form 269) are enclosed as part of the financial responsibilities of the grant. These forms and reports will be submitted throughout the term of the grant period.

Program revision forms are enclosed to provide a means of seeking purchasing prior approval, scope changes and/or budget revisions.

Programmatic forms are included to monitor program performance during the course of the grant period. These forms are due at varying intervals.

Materials inventory, property inventory and property disposition forms and instructions will be provided. Be sure to read these documents carefully. Restrictions apply to materials and property purchased with grant funds. Procedures need to be in place to track and monitor these items separately from the rest of the grantees inventory.

◆ ***Start-up.***

The first sixty days of a new grant is a critical period. New personnel and equipment are often involved. A well planned start can make the difference in the success of the grant project.

A project that does not start functioning until the third or fourth month into the grant period could face the problem of lapsed funds. The availability of grant funds is limited by a set time period. Slow starts may result in unused grant funds and could further hinder the completion of the objectives of the grant. Past performance is a consideration in evaluating future grant applications.

Section 2

¶ Section 2:

◆ *Sources.*

The grant agreement contract is several pages long and specifies numerous terms and conditions governing a grant's award and operation. The sources of grant requirements are:

- The United States Constitution
- Statutes and executive orders of general applicability
- Grant-enabling statutes
- OMB and Treasury Department Circulars
- Agency-wide regulations (EDGAR)
- Uniform Grant and Contract Management Standards (Governor's Office)
- Texas State Library program regulations, handbooks, guidelines, manuals, etc.
- Grant agreement

◆ *Government-Wide Requirements.*

Type	Current Title
Administrative Requirements	OMB Circular A-102, *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* (government-wide common rule)
	OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations*
Cost Principles	OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*
	OMB Circular A-122, *Cost Principles for Non-Profit Organizations*
Cash Advances	Treasury Department Regulations Implementing the Cash Management Improvement Act of 1990 (CMIA)
Audits	OMB Circular A-128, *Audits of State and Local Governments*
	OMB Circular A-133, *Audits of Institutions of Higher Education and Other Non-Profit Institutions*

Type	Current Title
Debarment and Suspension	Executive Order 12547, "Non-Procurement Debarment and Suspension." Common rule issued May 26, 1988 Debarment and suspension regulations include government-wide drug-free workplace requirements
Reporting Requirements	"Controlling the Paperwork Burden on the Public"
Regulatory Burden	Executive Order 12291, "Regulations"
Political Activity	"Political Activities of State and Local Officials or Employees"

Section 3

¶ **Section 3:**

◆ ***Introduction.***

This section of the *Handbook* identifies and explains the major components of grantee financial management. Included are subsections on accounting records, allocation of costs to projects, audits, documentation of time and attendance, financial reports, grant payments, and program income.

¶ **Subsection 3.1 Accounting Records**

◆ ***Introduction.***

Grantees must maintain adequate documentation to support detailed financial transactions. Accounting for grants shall include all aspects of grant transactions, from approval of the proposed grants to final action by the Grantee and Grantor. Accounting for a grant begins with the execution of an agreement or the approval of an application or similar document in which the amount and purposes of the grant, the performance periods, the obligations of the parties to the grants, and other applicable basic terms are set out. This action establishes a commitment of funds, and the agreement, application, or similar document is the obligating instrument.

◆ ***Requirements.***

A grantee is not required to change its formal accounting system to comply with federal requirements. Grantees must plan, control and report costs in accordance with the grant agreement. The accounting system should provide an audit trail to the documentation supporting transactions and facilitate an audit or examination of the grantee's financial activities.

◆ ***Standards.***

A Grantee's accounting system must be capable of providing the financial information required by the Grantor agency. It may be necessary for the recordkeeping system to accumulate data at the organizational or program level at which budgets are developed.

Grantee financial management standards shall provide:

- accurate, current and complete disclosure of the financial results of each grant program;
- accounting records which identify the source and use of grant funds;
- effective control and accountability for all grant funds, property, and other assets;
- comparison of expenditures with budgeted amounts for each grant;
- source documentation must support accounting records such as canceled checks, paid bills, payrolls, time and attendance records, contract and grant award documents;
- procedures to minimize the time elapsing between receipt of grant funds and disbursement of funds;
- procedures for determining reasonableness, allowability, and allocability of grant costs in accordance with OMB Circular A-87 for governmental units and OMB Circular A-122 for non-profit organizations, Department of Education regulations, Uniform Grant and Contract Management Standards, Texas State Library regulations, and the terms of the grant agreements.

The awarding agency may review the adequacy of the financial management system of any applicant for financial assistance as part of a preaward review or at any time subsequent to the award.

(1) **Internal Controls**. These controls include all methods adopted by a Grantee to safeguard its assets and ensure the reliability of accounting data and compliance with management policies and grant terms and conditions.

(a) *Operating Controls*. Assure that procedures are used efficiently and effectively and in accordance with adopted management policies. These include organization charts, procedure manuals, budgetary system, reporting system, and recordkeeping system.

(b) *Accounting Controls.* Procedures implemented to ensure the reliability of recorded financial data and maintenance of an appropriate level of transaction review and authorization. These controls would include assurance of separation of duties so that no employee is in a position to authorize, execute and approve transactions, assurance that goods and services obtained are properly authorized, and the development of procedures that provide timely review of financial activity.

(c) *Compliance Controls.* These controls allow for evaluating the grantee's systems for ensuring that grant funds are disbursed only to eligible recipients and that matching requirements and other limitations, where applicable, have been met.

(d) *Grantee Monitoring.* The Texas State Library is responsible for monitoring Grantee's reporting, recordkeeping and internal operating and accounting control systems.

(e) *Management Review.* Management must ensure that the grant program is operated efficiently, successfully and any deficiencies detected are corrected.

(2) **Recordkeeping.** Should provide mechanism to ensure that costs do not exceed the budgeted amounts for each program, activity or other budget category. Records must maintain cumulative expenditures and information for comparisons of budgeted and actual costs.

(a) *Cash Management Requirements.* Data must be available to prepare requests for grant funds in a timely fashion and to assure that there are no idle cash balances.

(b) *Supporting Documentation.* Source documents are required to support transactions entered into the Grantee's recordkeeping system. These documents would include purchase orders, contracts, time and attendance records, delivery receipts, vendor invoices, and payment documents which authorize the disbursement of grant funds.

(c) *Audit Trail.* Transactions should be organized and summarized in a manner that provides the basis for the preparation of the financial statements. The recordkeeping system should be able to trace financial statement balances through the Grantee's general ledger, cash books and other summary journals to the origin of detailed accounting transactions and their supporting documentation.

◆ ***Access to Records.***

Such records shall be made accessible to the Secretary of Education, the Comptroller of the United States, the State of Texas, or any of their duly authorized representatives.

◆ ***Retention Period.***

Grantees are required to maintain and retain all financial and program records, supporting documents and statistical and other records pertinent to the grant for seven years. The start date for the retention period is from the date of submission of the final report. Records under audit, involving unresolved audit findings, or under appeals or litigation must be held until the action is completed or the dispute resolved.

¶ **Subsection 3.2 Allocation of Costs to Projects**

◆ ***Introduction.***

When a grant consists of more than one project, such as the system grant, costs must be distributed to the various projects comprising the grant.

◆ ***Standards.***

Project managers may keep track of costs assignable to their project(s) by coding purchase requests and monitoring their expenditures.

◆ ***Example One.***

Some supplies are used solely for general system administrative purposes and are available to all system projects. These type of supplies may include: letterhead stationary, typewriter ribbons, pens, pencils, and computer paper. These supplies can be charged to "Administration" since they support all system projects.

◆ *Example Two.*

The total cost of paper to print bookmarks must be charged to the "Publicity" project since the paper is to be used to exclusively for this project.

◆ *Postage.*

To the greatest extent possible, postage charges should be assigned to the appropriate project. Systems may initially assign all postage costs to the general administration project, "Administration." However, as usage is documented, the respective projects must be charged for actual postage used and the general systems administration project must be credited.

◆ *Postage Example.*

Assume System X purchased $1,000 of postage at the beginning of the quarter. During the quarter, project usage was documented as follows:

Film Library	$405
Collection Development	60
Administration	390
Books-by-Mail	145

Since each project must be charged based on the amount of postage used and the general systems administration project must be credited the grantee's accounting system would reflect the following entry:

Postage-Film Library	$405	
Postage-Collection Development	60	
Postage-Books-by-Mail	145	
Postage-Administration		$610

◆ *Postage Documentation.*

To facilitate the assignment of postage costs to the appropriate project, it is recommended that a postage log be maintained. By using the log, staff can accurately document the postage costs which should be assigned to the various system projects.

◆ ***Adjusting Project Accounts.***

Systems must adjust the project accounts to reflect actual costs assignable to specific projects. The timing of the adjustments is optional. However, adjustments must be made at least quarterly so that the Financial Status Report will accurately reflect the level of expenditures for each project.

¶ Subsection 3.3 Audit

◆ ***Introduction.***

This subsection includes an overview of audit requirements, guidance for arranging audits and grantee audit follow-up and resolution responsibilities, as well as standards used to perform audits of federal assistance programs. The State of Texas has adopted these requirements to be used for grants funded with state revenue under the Uniform Grant and Contract Management Standards (UGCMS). The costs of audits performed under Circular A-128 and Circular A-133 are allowable and may be charged in accordance with appropriate cost principles. (OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*; or OMB Circular A-122, *Cost Principles for Non-Profit Organizations).*

◆ ***Single Audit Requirements.***

State and local governments that receive $25,000 or more in federal financial assistance annually must have organization-wide audits performed in accordance with the Single Audit Act of 1984 and Office of Management Budget (OMB) Circular A-128, *Audits of State and Local Governments*. Governments that receive less than $25,000 a year, are not required to comply with the act.

◆ ***Non-profit Grantee Audit Requirements.***

Non-profit grantees must have audits conducted in compliance with the Circular A-133. Non-profit grantees expending more than $300,000 in federal funds, but from one program only, can choose to have an audit in accordance with the circular or one that covers only that program.

If less than $300,000 is expended by a non-profit entity, they are exempt from federal audit requirements, but they must retain their records in case a federal agency wishes to review them.

◆ ***Grantee Responsibility***

Under OMB Circulars A-128 and A-133, and UGCMS grantees are required to:

- arrange for single audits
- identify all federal and state funds received and expended in their accounts and the programs under which they are received
- submit within one year after the end of the period under audit copies of the audit report to the Texas State Library
- comment on the findings and recommendations in the audit report, provide a corrective action plan and report on the status of the corrective action taken on prior findings.
- make audit reports available to the general public within 30 days after completion of the audit.

◆ ***Procuring Audit Services***

Audits must be made by an independent auditor and in accordance with generally accepted governmental auditing standards covering financial and compliance audits. The most effective means for evaluating the qualifications of auditors to perform a grant audit is to request written proposals which describe their understanding of the grant program, their experience performing similar audits, their personnel, and their firm's overall qualifications. This is usually accomplished by a request for proposal. At a minimum the request for proposal should: 1) define the audit scope requirements, 2) evaluate the auditor's qualifications and independence, and 3) define criteria for the audit examination, evaluation, and report.

Grantees are expected to procure audit services using their own procurement standards provided they meet the standards in Section 36 of the *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* or Section 44 of the *Uniform Administrative Requirements for Grants and Agreements to Institutions of Higher Education, Hospitals and Other Non-Profit Organizations.*

◆ ***Audit Standards.***

Grantees should include the following standards in all auditing contracts:

1) Perform a financial and compliance audit in accordance with The Single Audit Act; *Government Auditing Standards*; generally accepted auditing standards; OMB Circulars A-128 or A-133, as applicable; OMB Circulars A-102 or A-110, as applicable; OMB Circulars A-87, A-21 or A-122, as applicable; *Compliance Supplement for Single Audits of State and Local Governments;* and *Audits of State and Local Governments.*

2) Issue four reports:

   a. The auditor's report on financial statements and on a schedule of Federal assistance/awards; the financial statements; a schedule of Federal assistance/awards; and other financial information.

   b. Auditor's report on internal controls.

   c. Auditor's report on compliance.

   d. Grantee's report of its comments on the findings and recommendations in the report, including a plan for corrective action taken or planned and comments on the status of corrective action taken on prior findings.

3) Ensure that audits are made and reports are received in a timely manner and in accordance with respective OMB circulars. Technical advise may be received from a federal or state cognizant agency.

4) Distribute independent auditor's reports to grantee and the Texas State Library within 30 days after the completion of the audit, but the audit should be completed and the report submitted not later than 360 days after the end of the governmental entity's fiscal year and 13 months after the end of the non-profit's fiscal year.

5) Maintain audit workpapers and reports for seven years from date reports were issued.

◆ *Clearinghouse Requirement.*

Grantees who receive more than $100,000 in Federal funds must submit a copy to the U.S. Bureau of the Census' Single Audit Clearinghouse within thirty (30) days of issuance. The mailing address is:

National Clearinghouse for Single Audits
U.S. Bureau of the Census
1201 East 10th Street
Jefferson, Indiana 47132

◆ *Project Audit*

Grantees who are outside the scope of the single audit should submit a project audit. This audit must be conducted according to an *Audit Guide* issued by the Texas State Library prior to the end of each state fiscal year. The project audit is due at the Texas State Library no later than 360 days following the close of the grant period.

¶ **Subsection 3.4 Documentation of Time and Attendance**

◆ *Introduction.*

This subsection covers the recordkeeping requirements for employees who spend time on two or more projects simultaneously. Records must be prepared and maintained which establish the amount of time spend on each project. For grants administered by the Texas State Library, multiple projects will generally be limited to system grants.

If a staff member's time is spent on multiple projects, salaries and fringe benefits must be charged to the grant based on the level of time indicated by the time and attendance report. Exhibit I reflects how time and attendance should be maintained when an individual's time is distributed among multiple projects.

◆ *Example 1.*

Exhibit I (page 14) shows that the assistant coordinator spends time on four projects:

- Administration 06%
- Collection Development 17%
- Consulting 28%
- Continuing Education 49%

Assuming a bi-weekly salary of $1,000, the assistant coordinator's salary is prorated as follows:

- Administration $ 60
- Collection Development 170
- Consulting 280
- Continuing Education 490

◆ ***Systems Coordinator and Secretary***

The system coordinator and the system secretary are generally viewed as: 1) staff who provide support for all projects; and 2) staff who spend time on all system projects. Therefore, these employees <u>are not</u> required to maintain records documenting the amount of time spent on individual projects comprising the system grant. This statement does not imply that time records should not be maintained but means that time does not have to be allocated to projects. This also applies to a system-paid grant accountant or other financial staff. Conversely, documentation must be maintained if the system coordinator spends time on a project which has no other staff assigned to it.

◆ *Example 2.*

Assume a system has a "Publicity" project, but has no staff assigned to the project. The coordinator allocates 12% of his/her time to the project. Consequently, the coordinator's time is distributed between two projects: "Unserved Counties" - 12% and "Administration" - 88%.

◆ ***Coordinator vis-a-vis ILL.***

In some instances, the coordinator may have supervisory responsibility for the Interlibrary Loan project. Since the coordinator has supervisory responsibility for all projects, and staff, the Interlibrary Loan project is considered one of the general administrative functions performed by the coordinator. Documentation of time spent in this capacity is not required.

◆ ***Adjusting Personnel Cost Estimates.***

In some cases, the amounts budgeted for salaries and fringe benefits may differ from the actual amounts expended. This may require a transfer of funds among projects. If the transfer of funds impacts on how project objectives are achieved, a scope change has resulted and a budget revision is required. If the transfer of funds among projects, including transfers in other budget categories, exceeds 10% of the grant, a budget revision is in order. The "Bases for Calculating Reimbursable Costs," will be adjusted to reflect the cumulative transfers of funds among projects and among direct costs. Refer to section 6 of this manual for information on how to request a program revision.

◆ ***Movement of Funds.***

It is important that financial staff closely monitor the movement of funds among project activities to ensure conformance with the ten percent limitation governing budget revision requirements. This requirement states that grantees must request a budget revision when the cumulative transfers among budget categories and/or among projects reach 10% of the total budget. Any budget categories which exceed the ten percent limitation, without having received prior authorization, will be cited as an audit exception.

◆ ***Example 3.***

When System X submitted its plan of service, the coordinator and assistant coordinator's time was allocated among the following projects and was based on the following percentages:

	Coordinator	Assistant Coordinator
Administration	65%	35%
Publicity	20%	15%
Consulting	15%	20%
Continuing Education		30%

During the grant period, it was ascertained that the coordinator and assistant coordinator had actually expended time by project as follows:

	Coordinator	Assistant Coordinator
Administration	45%	55%
Publicity	30%	08%
Consulting	25%	12%
Continuing Education		25%

The following tables will show how salaries and fringe benefits were initially budgeted, how they should actually be charged to the grant based on documentation of time, and the adjustments to the grant budget to ensure conformance with the 10% allowable variance.

Assumptions:

1. Annual Salary - Coordinator, $30,000; Assistant Coordinator, $24,100
2. Fringe Benefits - Coordinator, $ 4,200; Assistant Coordinator, $ 3,374
3. Grant Amount - $123,270
4. 10% of Grant Amount - $12,327

Budget per Approved Plan of Service

Coordinator

Project	Personnel	Fringe Benefits	% of Time
Administration	$19,500	$2,730	65%
Publicity	6,000	840	20%
Consulting	4,500	630	15%

Assistant Coordinator

Project	Personnel	Fringe Benefits	% of Time
Administration	$19,500	$2,730	65%
Publicity	6,000	840	20%
Consulting	4,500	630	15%
Continuing Education	7,230	1,012	30%

Actual per Time and Attendance Records

Coordinator

Project	Personnel	Fringe Benefits	% of Time
Administration	$13,500	$1,890	45%
Publicity	9,000	1,260	30%
Consulting	7,500	1,050	25%

Assistant Coordinator

Project	Personnel	Fringe Benefits	% of Time
Administration	$13,255	$1,856	55%
Publicity	1,928	270	08%
Consulting	2,892	405	12%
Continuing Education	6,025	843	25%

A budget revision is now required because of:

(1) a change in scope;

(2) transfers of funds among projects exceed 10% of the grant

Budget Revision to be Requested

Budget Category	Amount	From Project	To Project
Personnel	$1,180	Administration	Publicity
Personnel	1,072	Continuing Education	Consulting
Personnel	133	Continuing Education	Publicity
Fringe Benefits	165	Administration	Publicity
Fringe Benefits	150	Continuing Education	Consulting
Fringe Benefits	19	Continuing Education	Publicity

- ***Volunteer Services.***

If volunteer services are reported as matching or in-kind contribution, time and attendance records must support the level of expenditures claimed. Grantees are required to use the same methods to document volunteer services as used for its employees.

- ***Recommended Form.***

A suggested form (391-1) for documenting personnel time paid from grant funds, is included in this manual as Form I. Grantees are not required to use this form unless they do not have an established method to document time and effort charged to grant accounts, and grant-paid personnel spend time on multiple projects.

This form is the minimum requirement for documenting time and attendance and is incorporated in the *Uniform Grant and Contract Management Standards*. Documentation must be maintained regardless of how personnel costs are treated - indirect or direct.

- ***Record Retention.***

Completed forms documenting time and attendance are not to be submitted to the Texas State Library. Forms should be retained by the grantee and made available for audit, if requested.

Exhibit 1

TIME AND ATTENDANCE REPORT

Your Name	Assistant Coordinator	June 30, 1996
Name	Title	Period Ending

111 / 11 / 1111
Social Security Number

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
Project Name and Number																
1 Administration	2	2	0	0	0			0	0	0	0	0				
2 Collection Development	2	3	0	2	0			3	1	2	0	0				
3 Consulting	4	0	0	4	8			2	2	0	0	0				
4 Continuing Education	0	3	0	2	0			3	5	6	8	8				
Sub-Total Changeable Time	8	8	0	8	8			8	8	8	8	8				
Released Time																
Sick Leave			8													
Vacation																
Holiday																
Other (Describe)																
Sub-Total Released Time			8													
Total Chargeable and Released Time	8	8	8	8	8			8	8	8	8	8				

This is true and correct to the best of my knowledge

Employee Signature

Project Director or Supervisor

¶ Subsection 3.5 Grant Payments

◆ ***Introduction.***

This subsection covers the methods and procedures for payment of grant funds. The amount of each request is limited to the minimum amount needed to carry out the approved purpose of the grant. LSCA funds are required to conform to the *Cash Management Improvement Act* (CMIA) which states that procedures must be in place to minimize the time elapsing between the receipt of grant funds and their disbursement.

◆ ***Cash Depositories.***

Grantees are encouraged to use minority banks. Grantees are not required to maintain a separate bank account unless stipulated by the grant agreement. Grant funds may be mailed as a warrant or direct deposited to your bank if requested. (See Form II)

◆ ***Reimbursement.***

Reimbursement is the preferred method of payment. Using this method, the local governmental body uses internal funds to cover expenditures. The grantee requests reimbursement for actual cash disbursements. Requests may be submitted monthly.

◆ ***Advances.***

Grantees may request payments in anticipation of their expenditure as long as there are not idle cash balances on hand. If at the end of a quarter, expenditures and encumbrances are less than the cash on hand, grantees will be required to explain excess cash balances. Should this pattern persist, future advance payments will not be made; all future payments will be strictly on a reimbursement basis. Advance requests may be submitted to meet disbursement needs up to 30 days in advance.

◆ ***Working Capital Advances.***

If a grantee cannot meet the criteria for advance payments stated above and does not have sufficient working capital, the grantor agency may provide cash on a "working capital advance" basis. Under this method of payment, the awarding agency shall advance cash to the grantee to cover its estimated disbursements for an initial period. Thereafter, the grantee will be reimbursed for its actual cash disbursements. This method of payment shall not be used by

grantees if the reason for using this method is the unwillingness or inability of the awarding agency to provide timely advances to the grantee to meet actual cash disbursements.

- ***Interest Earned on Advances.***

  Consistent with the requirements set forth in the *Common Rule for Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, all interest earned on advances must be refunded to the State Library. Grantees must remit promptly, but at least quarterly, interest earned on advances. The grantee may keep interest amounts up to $100 per year.

- ***Effect of program income, refunds, and audit recoveries.***

  Grantees shall disburse repayments and interest earned on repayments on a revolving fund before requesting additional cash payments for the same activity. Program income, rebates, refunds, contract settlements, audit recoveries and interest earned on such funds shall be disbursed before requesting additional cash payments.

- ***Requesting an Advance or Reimbursement.***

  The *Request for Advance or Reimbursement* (Form 270) is to be used by the grantee to request grant payments (see Exhibit II). (Recipients of construction grants do not use this form. These grantees request payments as provided on page 19.) Requests for advance or reimbursement may be submitted to the Texas State Library on a monthly basis or as needed. **Final requests are due by October 31 after the close of the grant year.**

  If the request is for an advance payment, please indicate the anticipated cash expenditures for the advance period on Line 11d. Grantees are not required to request payment by program/function/activity. The column on line 11a should be used to identify the contract number if the request is for more than one grant program. Exhibit II displays the appropriate method for reporting this information. You may request grant payments for up to three grant programs on one form.

  Grantees are to enter their fourteen digit state vendor identification number in Item 6. This number appears on the list of city and county vendor identification numbers which is designated as Appendix J of this handbook. The payment number should be placed in Item 5.

In the exhibit, payments have been requested each month of the grant; therefore this payment request is appropriately identified as payment number 6.

It is essential that the period covered, Item 8, is correctly completed. Advances may be requested for a period of thirty days from the request date. Please make certain that the period covered for advances does not exceed the thirty day requirement or your request will not be accepted.

If program income has been received since the previous request for payment, enter this amount on Line 11b. The amount of program income is deducted from total expenditures to date.

Make certain that the certification section of the form has been properly completed before submitting to the Texas State Library. If the certification has not been properly executed, this will cause a delay in the processing of your request.

◆ ***Submission Requirements.***

Grantees may submit the Request for Advance and Reimbursement form through the mail to:

Texas State Library
Library Development Division
Box 12927
Austin, Texas 78711
Attention: Grants Administrator

Grantees may elect to submit an original signature form (Form III) to the Texas State Library along with the signed and executed grant contract document. Once this form is received, payment requests may be faxed to the Texas State Library at (512) 463-8800 or (512) 463-5436. The original Request for Advance of Reimbursement form is <u>not</u> required as long as the signature on the faxed form matches the signature on the original signature form. If an original signature form is not submitted, all requests for payment must be mailed to the Texas State Library.

Fill out the form completely. If you need assistance, please contact:

Grants Administrator at (512) 463-6626.

Exhibit II

Standard Form 270

REQUEST FOR ADVANCE OR REIMBURSEMENT

(See instructions on back)

OMB APPROVAL NO: 0348-0004

PAGE 1 OF 1 PAGES

1. TYPE OF PAYMENT REQUESTED: a. "X" one or both boxes: ☐ ADVANCE ☒ REIMBURSEMENT; b. "X" the applicable box: ☐ FINAL ☒ PARTIAL

2. BASIS OF REQUEST: ☐ CASH ☒ ACCRUAL

3. FEDERAL SPONSORING AGENCY AND ORGANIZATION ELEMENT TO WHICH THIS REPORT IS SUBMITTED: Texas State Library

4. FEDERAL GRANT OR OTHER IDENTIFYING NUMBER ASSIGNED BY FEDERAL AGENCY: Contract # 565 30

5. PARTIAL PAYMENT REQUEST NUMBER FOR THIS REQUEST: 4

6. EMPLOYER IDENTIFICATION NUMBER: 17555555550000

7. RECIPIENTS ACCOUNT NUMBER OR IDENTIFYING NUMBER: Fund Account # 70102

8. PERIOD COVERED BY THIS REQUEST: FROM (month, day, year): 12-1-96; TO (month, day, year): 12-31-96

9. RECIPIENT ORGANIZATION

Name: Anytown Public Library
Number and Street: 200 Main Street
City, State and ZIP Code: Anytown, Texas 77777

10. PAYEE (Where check is to be sent if different than item 9)

Name: Anytown City Comptroller's Office
Number and Street: 300 Main Street
City, State and ZIP Code: Anytown, Texas 77777

11. COMPUTATION OF AMOUNT OF REIMBURSEMENTS/ADVANCES REQUESTED

PROGRAMS/FUNCTIONS/ACTIVITIES ➡		(a)	(b)	(c)	TOTAL
a. Total program outlays to date	(As of date) 12-31-96	$ 33,950	$	$	$ 33,950
b. Less: Cumulative program income		125			125
c. Net program outlays (Line 1 minus line b)		33,825			33,825
d. Estimated net cash outlays for advance period		0			0
e. Total (Sum of lines c & d)		33,825			33,825
f. Non-Federal share of amount on line e		0			0
g. Federal share of amount on line e		33,825			33,825
h. Federal payments previously requested		12,750			12,750
i. Federal share now requested (Line g minus line h)		21,075			21,075
j. Advances required by month, when requested by Federal grantor agency for use in making making prescheduled advances	1st month	N/A	N/A	N/A	N/A
	2nd month	N/A	N/A	N/A	N/A
	3rd month	N/A	N/A	N/A	N/A

12. ALTERNATE COMPUTATION FOR ADVANCES ONLY

a. Estimated Federal cash outlays that will be made during period covered by the advance	$
b. Less: Estimated balance of Federal cash on hand as of beginning of advance period	
c. Amount requested (Line a minus line b)	$

13. CERTIFICATION

I certify that to the best of my knowledge and belief the data is correct and that all outlays were made in accordance with the grant conditions or other agreement and that payment is due and has not been previously requested.

SIGNATURE OF AUTHORIZED CERTIFYING OFFICIAL

DATE REQUEST SUBMITTED: 1-5-97

TYPED OR PRINTED NAME AND TITLE: Jane Doe, Chief Financial Officer

TELEPHONE (AREA CODE, NUMBER, EXTENSION): (555) 555-5555

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STANDARD FORM 270 (Rev. 2-92)
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◆ ***Construction.***

The *Outlay Report and Request for Reimbursement for Construction Programs* (Form 271) is a dual form to use by grantees of construction grants. The form provides data on the financial status of the project and is used to request grant payments. This form must be submitted quarterly until the proposed library facility is completed. A sample form appears as Exhibit III.

Grantees should request grant funds only when needed to meet disbursement obligations for a thirty (30) day period, but should not request less than $250 per request. Federal and state regulations stipulate that grantee cash balances must not be excessive at any time.

Requests for reimbursement may not exceed ninety (90) percent of the grant award. The remaining ten (10) percent of the grant may be requested after submission to and acceptance by the Texas State Library of all documentation and meeting all other terms of the grant, including the local match, a completion report and final audit. The final payment will take into account any necessary adjustment.

The form has instructions on the back. Two signatures are required on the form. One to attest to the projects fiscal status and the other signature is to certify the percentage of completion (Item 11v).

Grantees may submit the *Outlay Report and Request for Reimbursement for Construction Programs* form through the mail to:

Texas State Library
Library Development Division
Box 12927
Austin, Texas 78711
Attention: Grants Coordinator

Grantees may elect to submit an original signature form (Form III) to the Texas State Library along with the signed and executed grant contract document. Once this form is received, payment requests may be faxed to the Texas State Library at (512) 463-8800 or (512) 463-5436. The original form is not required to be mailed as long as the signature on the faxed form matches the signature on the original signature form. If an original signature form is not submitted, all requests for payment must be mailed to the Texas State Library.

Exhibit III

Standard Form 271

OUTLAY REPORT AND REQUEST FOR REIMBURSEMENT FOR CONSTRUCTION PROGRAMS *(See instructions on back)*	OMB APPROVAL NO. 0348-0002	PAGE 1 OF 1 PAGES
	1. TYPE OF REQUEST ☐ FINAL ☒ PARTIAL	2. BASIS OF REQUEST ☐ CASH ☒ ACCRUAL
3. FEDERAL SPONSORING AGENCY AND ORGANIZATION ELEMENT TO WHICH THIS REPORT IS SUBMITTED TEXAS STATE LIBRARY	4. FEDERAL GRANT OR OTHER IDENTIFYING NUMBER ASSIGNED BY FEDERAL AGENCY Contract # 565.31	5. PARTIAL PAYMENT REQUEST NO. 2
6. EMPLOYER IDENTIFICATION NUMBER 17555555550000	7. RECIPIENT ACCOUNT OR OTHER IDENTIFYING NUMBER Fund # 88888	PERIOD COVERED BY THIS REPORT FROM *(Month, day, year)*: 12-1-96 — TO *(Month, day, year)*: 2-28-97
9. RECIPIENT ORGANIZATION *Name*: Any City/County *No. and Street*: 100 Main Street *City, State, and Zip Code*: Any City, Texas 77777	10. PAYEE *(Where check should be sent if different than item 9)* *Name*: *No. and Street*: *City, State, and Zip Code*:	

11. STATUS OF FUNDS

CLASSIFICATION	PROGRAMS — (a)	FUNCTIONS — (b)	ACTIVITIES (c)	TOTAL
a. Administrative expense	$	$	$	$
b. Preliminary expense				
c. Land, structure, right-of-way				
d. Architectural engineering basic fees	16,722			16,722
e. Other architectural engineering fee				
f. Project inspection fees				
g. Land development				
h. Relocation expense				
i. Relocation payments to individuals and businesses				
j. Demolition and removal				
k. Construction and project improvement cost	49,950			49,950
l. Equipment				
m. Miscellaneous cost				
n. Total cumulative to date (sum of lines a thru m)	66,672			66,672
o. Deductions for program income				
p. Net cumulative to date (line n minus line o)	66,672			66,672
q. Federal share to date	25,000			25,000
r. Rehabilitation grants (100% reimbursement)				
s. Total Federal share (sum of lines q and r)	25,000			25,000
t. Federal payments previously requested	10,000			10,000
u. Amount requested for reimbursement	$15,000	$	$	$15,000
v. Percentage of physical completion of project	25%	%	%	25%

12. CERTIFICATION

I certify that to the best of my knowledge and belief the billed costs or disbursements are in accordance with the terms of the project and that the reimbursement represents the Federal share due which has not been previously requested and that an inspection has been performed and all work is in accordance with the terms of the award.

	SIGNATURE OF AUTHORIZED CERTIFYING OFFICIAL	DATE REPORT SUBMITTED
a. RECIPIENT		3-15-97
	TYPE OR PRINT NAME AND TITLE: Jane Doe, Chief Financial Officer	TELEPHONE *(Area code and extension)*: (555)555-5555
b. REPRESENTATIVE CERTIFYING TO LINE 11V	SIGNATURE OF AUTHORIZED CERTIFYING OFFICIAL	DATE SIGNED: 3-15-97
	TYPE OR PRINT NAME AND TITLE: John Doe, Contractor	TELEPHONE *(Area code and extension)*: (555)555-5556

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◆ ***Title III Grants.***

Cities or counties awarded Title III grants must request funds on the Form 270 (Exhibit II). Other recipients of Title III grants must request reimbursement on a State of Texas Voucher (Exhibit IV). Vouchers can be submitted only for reimbursement of actual costs incurred. They cannot be used to request funds to cover anticipated expenses.

When submitting the final voucher for the grant year, please indicate "FINAL". The final voucher must be submitted with the final Financial Status Report which is due October 31st, 60 days at the close of the grant's fiscal year, at the Texas State Library.

All Requests for Advance or Reimbursement and all State of Texas vouchers should be submitted to the following address:

Texas State Library
Library Development Division
Box 12927
Austin, Texas 78711
Attention: Grants Administrator

Exhibit IV

STATE OF TEXAS
PURCHASE VOUCHER

1. Archive reference number	2. Agency number	3. Agency name			4. Current document number
	306	TEXAS STATE LIBRARY			
	5. Effective date	6. Order (document date)	7. Due date	8. Doc Agency	

9. Payee identification number	10. PDT	11. PCC	12. Requisition number	13. Document amount
11111111111000				

14. Payee name/address	15. GSC order number	17. AGENCY USE
The Library Consortium 231 Adams Street Sunset, Texas 99999	16. Lease number	

18. SFX	Ref Doc	SFX	M	TC	Index	PCA	AY	COBJ	AOBJ	Amount	R
001											

APPN	Fund	NACUBO Sub-Fund	Grant number	Grant year/phase	Project number	Project phase	Contract number	Multipurpose code

Invoice number	Description	AGENCY USE

18. SFX	Ref Doc	SFX	M	TC	Index	PCA	AY	COBJ	AOBJ	Amount	R
002											

APPN	Fund	NACUBO Sub-Fund	Grant number	Grant year/phase	Project number	Project phase	Contract number	Multipurpose code

Invoice number	Description	AGENCY USE

18. SFX	Ref Doc	SFX	M	TC	Index	PCA	AY	COBJ	AOBJ	Amount	R
003											

APPN	Fund	NACUBO Sub-Fund	Grant number	Grant year/phase	Project number	Project phase	Contract number	Multipurpose code

Invoice number	Description	AGENCY USE

19. SER/DEL DATE	20. DESCRIPTION OF GOODS OR SERVICES	21. QUANTITY	22. UNIT	23. AMOUNT
9/1/96	Reimbursement for services rendered for the Library Consortium OCLC Union List of Serials.			
10/31/96	Services performed September - October, 1996.			
	Contractual $ 9,718.00			
	Supplies 136.75			
	Indirect Costs 430.00			
	Total $ 10,284.75			
	CONTRACT # 570.70			

24. Contact name	Phone (Area code and number)	25. Entered by
ACCOUNTING OFFICE	(512) 463-5472	

26. I approve this voucher for payment. The above goods or services correspond in every particular with the contract under which they were purchased. The invoice to the goods or services is correct. This payment complies with the General Appropriations Act.

Approved sign here ▶		Phone (Area code and number)	Date
Approved sign here ▶		Phone (Area code and number)	Date

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¶ Subsection 3.6 Program Income

◆ ***Introduction.***

Program income is defined as the gross income earned by the grantee from grant supported activities. These earnings may come from fees for services performed; use or rental of real property or equipment acquired with grant funds; the sale of commodities or items developed under a grant; and income generated from fines for overdue films. Interest which may be earned on advance payments made to the grantee; proceeds from the sale of real property or equipment, and patent and copyright royalties are excluded from the definition of program income.

The common rule for state and local government grant administration further defines program income as income earned **during the grant period.** This means that grantees are accountable only for income earned between the effective date of the grant award and the date of the final expenditure report.

◆ ***Lost or Stolen Materials.***

Some systems require member libraries to replace materials which are lost or stolen while on loan. Any reimbursement received from member libraries is considered program income and must be deposited in the system grant account. If the stolen, lost or misplaced item is on inventory, a *Property Disposition Report* must be filed with the Texas State Library.

◆ ***Overdue Films.***

If the system charges member libraries or member library patrons for overdue films, the proceeds must also be deposited into the system grant account. In the event the film program is supported by both local and grant funds, program income must be prorated between the system and the local government. Program income may be prorated based on factors such as: 1) number of films purchased during a specified period; 2) number of films owned; or 3) total expenditures for the film program.

◆ *Examples of Prorating Program Income.*

IF THE SYSTEM...	IF THE MRC...	THEN PROGRAM INCOME IS PRORATED...
purchased 200 films	purchased 300 films	40% System 60% MRC
has a film inventory of 7,000 films	has a film library of 3,000 films	70% System 30% MRC
expended $110,000 for film program	expended $188,000 for film program	37% System 63% MRC

◆ *Accounting and Reporting.*

There are several alternative methods available for the accounting of program income. Grant agreements with the Texas State Library stipulate that program income can be added to the funds committed to the project and used to further project objectives. Program income must be reported to the Texas State Library on the *Financial Status Report*. (See Exhibit 5) Any program income generated during the grant period, but not expended by the end of the grant, must be refunded to the Texas State Library.

Program income must be recorded and accounted for as any other grant related funds. Program income may be applied to expenditure categories not specifically authorized in the contract, provided it is expended for the purpose of the grant program. If program income is used for unbudgeted objectives, this constitutes a change in scope; therefore, a budget revision is required. The budget revision procedures are detailed in Section 5 of this handbook.

◆ *Income Received after the Grant.*

There are no Federal or State requirements governing the use of program income after the end of the grant period. Since the *Common Rule* defines program income as income generated during the period of the grant, grantees are not accountable to the Texas State Library for program income after the final *Financial Status Report* is submitted. This does not apply to System Operation Grants or Interlibrary Loan Grants since they are renewed annually.

¶ Subsection 3.7 Financial Reporting

◆ ***Introduction.***

Grantees are required to submit quarterly financial information to the Texas State Library on the *Financial Status Report* (FSR) Form 269. This information will reflect the amount of grant funds disbursed and obligated for the quarterly period and will provide cumulative totals. Program income received is reported as either disbursed (item r) or undisbursed (item s).

◆ ***Instructions.***

Instructions for completing the FSR are on the reverse side of the form. Most of the computations required to prepare the report are explained in the instructions. Definitions for specific terms used on the FSR are included in the instructions. A sample FSR appears as Exhibit V. Please note that all items on the form must be completed. System Operation Grant recipients must complete a FSR for each project within the grant program.

◆ ***Reconciling FSR to Entity Expenditure Records.***

The data contained in the FSR must be consistent with the expenditure records of the city, county or non-profit entity. If the library maintains accounting records, reports may be prepared based on these records only if the library can set up valid obligations on behalf of the city or county. This means that the point of obligation occurs when the encumbrance is entered on the library's records and is recognized by the city's or county's accounting system. When this condition exists, it is appropriate to prepare the expenditure reports from the library's accounting records. If errors are noticed after submission of the report, please send an amended FSR to the Texas State Library as soon as possible with corrections. Indicate "amended" in the top right hand corner of the form.

◆ ***Construction Grants.***

The SF 271 - *Outlay and Request for Reimbursement for Construction Grants Program* - is the form used to report on the status of construction grants. This form is also used to request grant funds. (See Section 3, page 19 of this manual for a discussion of this form.)

◆ *Enforcement.*

Failure to submit the report on the required due date will result in an overdue notice sent fifteen (15) days following the quarterly due date. If the report is not received within 15 days from the date of the overdue notice, a suspension letter will be sent. The suspension letter will notify the grantee that grant suspension will occur in 15 days if the report is not submitted. Suspension is a temporary measure pending report submission or a decision by the Texas State Library to terminate the grant. The grantee cannot incur any obligations during suspension. The Texas State Library may allow "necessary and proper costs" that a grantee cannot avoid during the suspension.

◆ ***Financial Status Report (FSR).***

The Financial Status Report is used to report the status of grant funds for the applicable reporting period. The form is submitted quarterly with a final report being submitted on **October 31**. The reporting cycle for **SFY 1997** is provided below:

September 1 through November 30, 1996	December 1 through February 28, 1997	March 1 through May 31, 1997	June 1 through August 31, 1997	September 1 through October 31, 1997
DUE DATE: December 30, 1996	March 25, 1997	June 25, 1997	September 25, 1997	October 31, 1997
OVERDUE NOTICE SENT: January 15, 1997	April 10, 1997	July 10, 1997	October 10, 1997	November 10, 1997
SUSPENSION LETTER SENT: January 30, 1997	April 25, 1997	July 25, 1997	October 27, 1997	November 25, 1997
GRANT SUSPENDED: February 14, 1997	May 12, 1997	August 11, 1997	November 11, 1997	December 10, 1997

◆ ***High Risk Grantees.***

When a grantee is considered "high-risk," the Texas State Library may impose additional reporting requirements. A grantee is considered high risk if it has a history of poor performance, is not financially stable, or does not have a financial management system that meets the standards set forth in the *Common Rule*. Grantees meeting this criteria are notified in writing why additional requirements are necessary and what corrective action is needed.

Exhibit V

Standard Form 269

Financial Status Report

(Follow instructions on the back)

1. Federal Agency and Organizational Element to Which Report is Submitted	2. Federal Grant or Other Identifying Number Assigned By Federal Agency	OMB Approved No.	Page	of
Texas State Library	Contract# 600 00	**0348-0039**	1	1 pages

3. Recipient Organization (Name and complete address, including ZIP code)
Anytown Public Library
1000 Main Street
Anytown, Texas 111111

4. Employer Identification Number	5. Recipient Account Number or Identifying Number	6. Final Report	7. Basis
17666666660000		☐ Yes ☒ No	☐ Cash ☒ Accrual

8. Funding/Grant Period *(See Instructions)* From: (Month, Day, Year)	To: (Month, Day, Year)	9. Period Covered by this Report From: (Month, Day, Year)	To: (Month, Day, Year)
9-1-96	**8-31-97**	12-1-96	2-28-97

10. Transactions	I Previously Reported	II This Period	III Cumulative
a. Total Outlays	19,165	21,861	41,026
b. Refunds, rebates, etc.	0	0	0
c. Program income used in accordance with the deductions alternative			
d. Net outlays *(Line a, less the sum of lines b and c)*	19,165	21,861	41,026
Recipient's share of net outlays, consisting of:			
e. Third party (in-kind) contributions			0
f. Other Federal awards authorized to be used to match this award			0
g. Program income used in accordance with the matching or cost sharing alternative			0
h. All other recipient outlays not shown on lines e, f, or g			0
i. Total recipient share of net outlays *(Sum of lines e, f, g, and h)*			0
j. Federal share of net outlays (line d less line i)			41,026
k. Total unliquidated obligations			1,340
l. Recipient's share of unliquidated obligations			0
m. Federal share of unliquidated obligations			1,340
n. Total federal share (sum of lines j and m)			42,366
o. Total federal funds authorized for this funding period			100,460
p. Unobligated balance of federal funds *(Line o minus line n)*			58,094
Program income, consisting of:			
q. Disbursed program income shown on lines c and/or g above			0
r. Disbursed program income using the addition alternative			126
s. Undisbursed program income			90
t. Total program income realized *(sum of lines q, r and s)*			216

11. Indirect Expense	a. Type of Rate *(Place "X" in appropriate box)* ☒ Provisional	☐ Predetermined	☐ Final	☐ Fixed
	b. Rate: 17.01%	c. Base: Salaries	d. Total Amount: $1,395	e. Federal Share: $1,395

12. *Remarks: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation.*
Program income generated from sale of book bags. Funds used to purchase supplies for grant program.

13. Certification: **I certify to the best of my knowledge and belief that this report is correct and complete and that all outlays and unliquidated obligations are for the purposes set forth in the award documents.**

Typed or Printed Name and Title	Telephone (Area code, number and extension)
Jane Doe, Chief Financial Officer	(800) 555-5555
Signature of Authorized Certifying Official	Date Report Submitted: 3-20-97

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Section 4

¶ **Section 4:**

◆ ***Introduction.***

Allowable costs are defined by the Office of Management and Budget (OMB) through established cost principles outlined in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments;* and OMB Circular A-21, *Cost Principles for Educational Institutions;* and OMB Circular A-122, *Cost Principles for Non-Profit Organizations.*

The purpose of the cost principles is to provide a consistent and uniform approach to determining the allowability of costs under Federal grant programs. The principles are designed to provide that the federal government "bear its fair share" of the costs associated with federal awards. They also dictate that entities employ sound management practices in the administration of federal awards.

◆ ***Cost Allowability.***

To be allowable, costs must:

- be necessary, reasonable and allowacable to the grant program;
- comply with limitations of a grant agreement as well as other applicable federal and state laws and regulations;
- be allocated to the grant on a basis consistent with policies that apply to all activities of the grantee;
- be accounted for on a consistent basis and in accordance with generally accepted accounting principles;
- not be allocated or included as a cost or used to meet cost sharing or matching requirements of any other federal award in either the current or a prior period, except where federal law or regulation permits;
- be adequately documented; and
- be the net of all applicable credits. "Applicable credits" refers to receipts or reductions in expenditures that offset or reduce direct or indirect cost items. Examples include purchase discounts, rebates or allowances, or insurance refunds.

◆ ***Total Costs.***

All allowable direct and indirect costs allocated to the grant, minus any applicable credits. These costs must be necessary and relate to the operation of the grant program.

◆ ***Direct Costs.***

Direct costs are any costs that can be specifically identified with a particular cost objective. Some examples include:

- compensation of employees for the time and effort devoted specifically to the grant program;
- cost of materials expended for the purpose of the grant;
- equipment and other capital expenditures; and
- any other expenditures contracted or furnished specifically for the grant program.

◆ ***Indirect Costs.***

Costs incurred for a common or institution-wide objective which benefits more than one grant program or project are indirect costs. Examples include accounting, payroll, facility operation and maintenance, legal, and data processing expenses

¶ Subsection 4.1: Basic Costs

◆ ***Allowable.***

Any cost which meets the allowability criteria listed with the Basic Cost Principles, page 1, is an allowable cost.

◆ ***Travel.***

Travel is an allowable cost and does not require prior approval. Travel includes expenses for transportation, lodging, meals and other related items. All travel charged to the grant account must be specifically related to the grant program.

The payment of travel costs is limited to those persons on the grant payroll or employed to carry out a Library Services and Construction Act (LSCA) funded project which meets the test of implementing a LSCA purpose. This requirement also applies to state Library System Act grants.

In the case of System Operation Grants, travel expenses may be paid from grant funds for grant personnel and System Advisory Council members. Advisory Council travel is limited to grant related purposes. Under no circumstances may grant funds be used to pay travel expenses of lay representatives or system member librarians.

COMPARISON OF COST PRINCIPLES

Cost	State and Local Governments (OMB Circular A-87)	Non-Profit Organizations (OMB Circular A-122)	Colleges and Universities (OMB Circular A-21)
Advertising	Unallowable, exception for recruitment, procurement, disposal of surplus materials or as required by award.	Same	Same
Alcoholic beverages	Unallowable	Not addressed	Unallowable
Audit services	Allowable for single audits; prior approval needed	Not addressed (see Circular A-133)	Not addressed (see Circular A-133)
Bad debts	Unallowable unless stipulated in program regulations.	Unallowable	Unallowable
Bonding	Allowable when in accordance with sound business practice.	Allowable when in accordance with sound business practice or when required by award.	Not addressed
Civil defense	Not addressed	Not addressed	Allowable when costs are distributed to all institutional activities.
Communication	Allowable	Allowable	Allowable
Compensation for personnel services	Allowable but must be reasonable, documented and the appointment is legal.	Allowable but must be reasonable and documented.	Allowable but must be reasonable and documented.

COMPARISON OF COST PRINCIPLES

Cost	State and Local Governments (OMB Circular A-87)	Non-Profit Organizations (OMB Circular A-122)	Colleges and Universities (OMB Circular A-21)
Contingencies	Unallowable generally.	Same as A-21	Unallowable, except certain types.
Contributions and donations made by a grantee	Unallowable	Unallowable	Unallowable
Defense, prosecution, claims and appeals	Allowable when necessary for legal expenses to administer programs. Unallowable for prosecution of claims against the federal/state government.	Generally allowable for termination of award or if stipulated in award. Unallowable for prosecution of claim against the government.	Generally unallowable except in certain circumstances.
Depreciation and use allowance	Generally allowable if followed as stipulated in the circular.	Generally allowable if followed as stipulated in the circular.	Generally allowable if followed as stipulated in the circular.
Donated services or assets to a grantee	Value of services can be used to meet cost-sharing or matching requirements, but the value should be considered in rate determination.	Similar to A-87, but more detail provided.	Value of services can be used to meet cost-sharing or matching requirements.
Employee morale, health and welfare	Allowable. Income offset against expenses.	Allowable. Unless income is given to employee welfare fund, offset income against expenses.	Allowable; distribute costs to all institutional activities.
Entertainment	Unallowable	Unallowable	Unallowable

COMPARISON OF COST PRINCIPLES

Cost	State and Local Governments (OMB Circular A-87)	Non-Profit Organizations (OMB Circular A-122)	Colleges and Universities (OMB Circular A-21)
Equipment and other capital expenditures	Allowable if approved.	Allowable if approved.	Allowable if approved.
Finds and penalties	Unallowable except as specified by award or federal/state agency.	Unallowable except as specified by award or federal/state agency.	Unallowable except as specified by award or federal/state agency.
Fundraising and investment management costs	Unallowable for fundraising. Investment costs generally unallowable but may be allowable for pensions and self-insurance funds.	Unallowable for fundraising. Investment costs unallowable if solely to enhance income.	Unallowable for fundraising. Investment costs unallowable if solely to enhance income.
Gains and losses on asset disposition	Considered as credit or charge to asset cost grouping if related to depreciable property. Several exceptions noted.	Cannot be considered in computing award costs. Exceptions noted.	Cannot be considered in computing award costs. Exceptions noted.
Idle facilities and capacity	Allowable if reasonable and necessary.	Allowable if reasonable and necessary.	Not addressed.
Insurance and Indemnity	Insurance is allowable with exceptions. Indemnity allowable if stipulated in award or under self-insurance programs.	Insurance is allowable with restrictions. Indemnity allowable if stipulated in award.	Insurance is allowable with restrictions. Indemnity allowable if stipulated in award.

COMPARISON OF COST PRINCIPLES

Cost	State and Local Governments (OMB Circular A-87)	Non-Profit Organizations (OMB Circular A-122)	Colleges and Universities (OMB Circular A-21)
Interest	Only allowable for facility acquisitions on or after 10/1/80 or equipment interest costs incurred for awards made on or after 9/1/95, subject to terms.	Only allowable for acquisitions after 9/29/95.	Only allowable for acquisitions on or after 7/1/82 when expense is no more than renting. Conditions noted.
Labor relations	Not addressed.	Allowable	Allowable
Lobbying	Unallowable	Unallowable	Unallowable
Losses on other awards	Unallowable	Unallowable	Unallowable
Maintenance and repairs	Allowable	Allowable	Allowable
Material and supplies	Allowable	Allowable	Allowable
Memberships and professional activities	Allowable for entity's membership and subscriptions with professional or technical organizations, and conference costs and meetings. Prior approval required for membership in civic, community or social organizations.	Allowable for entity's membership and subscriptions with professional or technical organizations. Most costs of meetings and conferences are allowable.	Allowable for institutional memberships and subscriptions, conference costs and meetings. Civic, community or social organization memberships are unallowable.
Organization costs	Not addressed.	Allowable with prior approval.	Not addressed.

COMPARISON OF COST PRINCIPLES

Cost	State and Local Governments (OMB Circular A-87)	Non-Profit Organizations (OMB Circular A-122)	Colleges and Universities (OMB Circular A-21)
Patents	Not addressed.	Most costs are unallowable unless required by award.	If title vests in federal government or required by award, costs of obtaining patents are allowable.
Plant security costs	Not addressed.	Allowable	Allowable
Pre-award costs	Unallowable unless approved by awarding agency.	Same as A-87	Same as A-87
Professional service costs	Allowable if reasonable.	May be allowable. Detailed list of factors for allowability given.	May be allowable. Factors for allowability given.
Proposal costs	Allowable with prior approval.	Not addressed.	Allowable, usually as indirect.
Public relations	Allowable when required by award or to provide information about awards.	Same as A-87.	Allowable with prior approval.
Publication and printing costs	Allowable	Unallowable as direct cost unless prior approval given by awarding agency.	Not addressed.
Rearrangements and alterations	Costs of ordinary alterations are allowable. Prior approval required for specific project.	Same as A-87	Same as A-87

COMPARISON OF COST PRINCIPLES

Cost	State and Local Governments (OMB Circular A-87)	Non-Profit Organizations (OMB Circular A-122)	Colleges and Universities (OMB Circular A-21)
Reconversion of facilities	Allowable to restore facility to previous condition, excepting wear and tear.	Same as A-87.	Same as A-87.
Recruiting and relocation costs	Not addressed.	Generally allowable, with limits on relocation costs.	Allowable with limitations.
Rental costs	Allowable with provisions.	Allowable with provisions.	Allowable with provisions.
Royalties	Not addressed.	Allowable with provisions.	Allowable with provisions.
Severance pay	Allowable if required by law, agreement or policy.	Similar to A-87.	Allowable if required by law, agreement or policy.
Specialized service facilities	Not addressed.	Allowable with provisions.	Allowable with provisions.
Substantial relocation	Relocation from facilities financed by federally reimbursed indebtedness may require reimbursement to federal government.	Not addressed.	Not addressed.
Taxes	Allowable with provisions.	Allowable. Federal income taxes are unallowable.	Allowable. Payments to local governments in lieu of taxes are allowable with exceptions.

Texas State Library Grant Management Handbook

COMPARISON OF COST PRINCIPLES

Cost	State and Local Governments (OMB Circular A-87)	Non-Profit Organizations (OMB Circular A-122)	Colleges and Universities (OMB Circular A-21)
Termination costs	Not addressed.	Generally allowable with limitations.	Similar to A-122.
Training	Allowable for staff development.	Generally allowable with detailed provisions provided.	Not addressed.
Transportation of goods	Allowable with costs of incoming transportation considered part of materials and supply costs.	Allowable.	Allowable. Distinction made between inbound and outbound freight.
Travel costs	Allowable for employees in travel status on official business. Restrictions on air travel.	Allowable for employees. Restrictions on air travel.	Allowable for employees. Restrictions on air travel. Trustee travel costs are unallowable.
Other provisions unique to circulars not noted	Accounting, advisory councils, budgeting, disbursing service, general government and motor pools.	Participant support costs.	Alumni activities, commencement and convocation, sabbatical leave, scholarships and student aid, selling and marketing, and student activities.

¶ Subsection 4.2: Unallowable Cost

◆ ***Definition.***

An unallowable cost is any cost which cannot be charged to the grant regardless of whether the cost is treated as direct or indirect. Certain library programs authorized by the Library Services and Construction Act contain cost restrictions in addition to the OMB Circulars. Title I - Public Library Services funds may not be used for construction costs. Title II - Public Library Construction and Technology Enhancement funds may not be used for the acquisition of library materials and supplies. Title III - Interlibrary Cooperation and Resource Sharing funds may not be used to purchase library materials.

¶ Subsection 4.3: Prior Approval Cost

◆ ***Definition.***

A prior approval cost is a cost for which the grantee must obtain the prior written permission of the grantor agency before taking an action which results in obligating or expending grant funds. Guidelines for requesting prior approval from the Texas State Library are included as Appendix B of this handbook.

Grantees must provide a detailed description of all proposed automatic data processing expenditures in the narrative section of the grant application. Prior approval will not be granted unless all of the information requested is provided. Guidelines for developing the project narrative appear in Appendix B.

Prior approval is required for all professional services regardless of the cost. Page B-10 of Appendix B provides information on what constitutes professional services and how to request prior approval for these costs.

Costs which require prior approval include:

- Automatic Data Processing
- Building Space and Related Facilities
- Capital Expenditures
- Insurance and Indemnification
- Pre-award Costs
- Professional Services
- Proposal Costs

¶ Subsection 4.4: Indirect Cost

◆ ***Requirements.***

A grantee may request reimbursement for indirect costs if it has a cost allocation plan on file and/or has obtained approval of such plan from the appropriate cognizant agency. A negotiated lump sum will be awarded if the grantee does not have a plan on file or an approved plan. The State Library will compute the lump sum overhead amount based on the "Indirect Cost Computation Table" incorporated in the Uniform Grant and Contract Management Standards for State Agencies. A copy of the table follows and is designated Exhibit VI.

Generally, indirect cost proposals are prepared in advance of the period when they are going to be used. Therefore, they reflect the previous year's actual costs or a projection of a future year's expected costs. Since the indirect cost proposal is an estimate, it will need to be adjusted at the end of the effective period in order to reflect actual costs incurred. The grantee is generally allowed six months following the close of its fiscal year to submit an adjusted indirect cost proposal. The proposal is used to: adjust the prior year's project rate to the actual rate and to determine the next year's projected rate.

Exhibit VI

Table 1

Indirect Cost Computation Table

(1) Total Project Cost (Round to nearest amount on schedule)

(2) Maximum indirect cost allowable - State grantor agency funds

(3) This table is provided for use when the grantee:
(a) has no cost allocation plan, or
(b) has no direct administrative costs (salaries, fringe benefits, etc.) which are attributed to the grant or contract.

(1) $	(2) $	(1) $	(2) $	(1) $	(2) $	(1) $	(2) $
1,000	50	31,000	1,285	61,000	2,252	91,000	2,995
2,000	100	32,000	1,320	62,000	2,280	92,000	3,015
3,000	150	33,000	1,355	63,000	2,307	93,000	3,035
4,000	200	34,000	1,390	64,000	2,335	94,000	3,055
5,000	250	35,000	1,425	65,000	2,362	95,000	3,075
6,000	295	36,000	1,460	66,000	2,390	96,000	3,095
7,000	340	37,000	1,495	67,000	2,417	97,000	3,115
8,000	385	38,000	1,530	68,000	2,445	98,000	3,135
9,000	430	39,000	1,565	69,000	2,472	99,000	3,155
10,000	475	40,000	1,600	70,000	2,500	100,000	3,175
11,000	505	41,000	1,632	71,000	2,525	110,000	3,350
12,000	555	42,000	1,665	72,000	2,550	120,000	3,525
13,000	595	43,000	1,697	73,000	2,575	130,000	3,675
14,000	635	44,000	1,730	74,000	2,600	140,000	3,825
15,000	575	45,000	1,762	75,000	2,625	150,000	3,950
16,000	715	46,000	1,795	76,000	2,650	160,000	4,075
17,000	755	47,000	1,827	77,000	2,675	170,000	4,175
18,000	795	48,000	1,860	78,000	2,700	180,000	4,275
19,000	835	49,000	1,892	79,000	2,725	190,000	4,350
20,000	875	50,000	1,925	80,000	2,750	200,000	4,425
21,000	912	51,000	1,955	81,000	2,772	210,000	4,475
22,000	950	52,000	1,985	82,000	2,795	220,000	4,525
23,000	987	53,000	2,015	83,000	2,817	230,000	4,575
24,000	1,025	54,000	2,045	84,000	2,840	240,000	4,625
25,000	1,062	55,000	2,075	85,000	2,862	250,000	4,675
26,000	1,100	56,000	2,105	86,000	2,885	260,000	4,725
27,000	1,137	57,000	2,135	87,000	2,907	270,000	4,725
28,000	1,175	58,000	2,165	88,000	2,930	280,000	4,825
29,000	1,212	59,000	2,195	89,000	2,952	290,000	4,875
30,000	1,250	60,000	2,225	90,000	2,975	300,000	4,925

(Above 300,000 equals 4,925 + .005 of excess above 300,000)

Section 5

¶ Section 5:

◆ *Introduction.*

The State Legislature has charged the Texas State Library with submitting performance measurement reports that specify the level of services provided by its programs and services. It is extremely important to submit certifiable performance measurements and that the reports are timely, accurate, auditable, and consistent with the definitions. Failure to comply may result in suspension, termination, or other sanctions.

◆ *Required Reports.*

All library grants require the submission of several performance reports. These reports have been stipulated in the respective contracts and also appear on the timelines in this section. Reports which must be submitted during the grant period for their respective contracts are:

System Operation Grants	Interlibrary Loan Grants	Special Projects Grants & MURL Grants
Annual Program of Services	*Monthly Activity Report*	*Project Evaluation Report*
Project Evaluation Report	*Turn Around Time Report*	*Uniform Statistical Reporting Form & Explanation of Variance Report*
Local/Systems Objectives Report		
Uniform Statistical Reporting Form		
Workshop Reporting Form		
Disadvantaged Services Report		
Key Performance Target Report		

The Interlibrary Loan monthly reports and System Uniform Statistical Report must be completed for each month, although they only need to be submitted to the State Library on the quarterly due dates. We recommend, however, that you submit the forms at the close of each month.

- ***Note to Systems.***

  We cannot prove effective with the Budget Board unless we have the *Key Performance Target Report* for the first quarter by the first week in December, the second quarter by the first week of March, the third quarter by the first week of June, and the fourth quarter by the first week of September.

- ***Evaluation Reports.***

  All grantees, excluding recipients of Interlibrary Loan and Construction grants, are required to submit two *Project Evaluation Reports*. All data provided in the *Uniform Statistical Report* must be consistent with the data specified in the *Project Evaluation Report*.

- ***Statistical Targets for Systems.***

  Statistical targets provided on the *Key Performance Target Report* form, *Uniform Statistical Report* form and the *Local/Systems Objectives Report* form may not be revised. Each system has the opportunity to explain why goals and objectives were exceeded or were not met in the evaluation report.

- ***Statistical Performance Report for Competitive Grants.***

  All competitive grant recipients are to submit four *Uniform Statistical Reports*. These reports will provide information regarding various statistical targets which will be designated on the *Uniform Statistical Report* form for each competitive grant program. The reports will be due at the end of each quarter.

¶ Subsection 5.1: Reporting Timelines

For timelines for your grant program, please refer to the contract document. These may vary for different grant programs.

Section 6

¶ Section 6:

◆ *Introduction.*

The program projections may need to be revised to meet unanticipated requirements during the grant period. The program revision may consist of scope changes, budget amendments, and/or prior approvals. The program revision procedures are available to make these adjustments.

◆ *Definition.*

A program revision is the process by which a grantee changes project objectives or changes how grant funds are programmed.

◆ *When Required.*

A program revision will be required when:

- The scope or the objectives of the grant change;
- The cumulative transfers of funds among direct cost categories exceed ten percent of the total budget and the budget is $100,000 or more;
- The cumulative transfers of funds among projects exceed ten percent of the total budget and the budget totals $100,000 or more;
- An expenditure of grant funds involves a cost requiring prior approval;
- Funds are transferred to a cost category not authorized in the contract;
- Funds are transferred to a project not authorized in the contract; or
- Funds allocated in the budget for training are transferred to other expense categories.

◆ *How to Obtain Approval for a Program Revision.*

- Secure the written authorization of the system advisory council, if a system grant is involved.
- Prepare the *Program Revision Form* (Appendix B) which incorporates the proposed change in approach or method used to reach project objectives.

- Submit *Program Revision Form* and council certification to the appropriate project manager.

Systems	Mark Smith
Interlibrary Loan	Rebecca Linton
Major Urban Resource Libraries (MURLs)	Richard Getz
Special Projects Grants	Richard Getz

- State Library reviews and approves or disapproves.
- State Library sends a contract amendment or letter, as appropriate, to notify grantee of action taken on request.

¶ Subsection 6.1 Scope Changes

◆ ***Introduction.***

The scope of a grant may be changed when the program is implemented in a different way from the original program, that is, if there is a substantive difference in the approach or method used to reach program objectives.

◆ ***Example One.***

Assume system member libraries decide, during the grant period, to expand the Videocassette project by expending $10,000 for the acquisition of videocassettes. Since this activity was not originally part of the approved plan of service and represents a change in how the objectives of the Videocassette project will be accomplished, a scope change is required.

◆ ***Example Two.***

In the annual program of service, System Z designates $42,000 for the acquisition of printed materials and $13,000 for nonprinted materials. After the grant begins, the member libraries vote to allocate collection development funds as follows: $47,000 printed materials and $8,000 non-printed materials. Since this represents a difference in the approach used to reach project objectives, the system must request a scope change.

◆ ***Example Three.***

Assume a grantee is authorized to expend $4,000 for a microcomputer and accompanying software. During the grant year, the grantee receives a microcomputer as a gift from a corporation. Therefore, the grantee wishes to rebudget $4,000 for the purchase of library materials. Prior to expending grant funds, the grantee must secure authorization from the State Library because of a change in program direction.

¶ Subsection 6.2 Budget Amendment

◆ *Introduction.*

Circumstances may require expenditures that vary from grant line item estimates. If the Grantees expenditures require transferring funds between line items, has a contract in the amount of $100,000 or more, and the cumulative transfers total ten percent of the grant amount, then a budget amendment is necessary. If the total contract amount is less than $100,000 then funds may be transferred between line items so long as there are existing funds in the line items without requiring a budget amendment. If the Grantee needs to expend funds in a line item with no existing funds budgeted, a budget amendment is necessary. Grantees must request a budget amendment using the *Program Revision Form* (Appendix B). The Texas State Library will review requests within 30 days and notify the grantee whether those revisions have been approved.

◆ *Transfer of Funds*

In most instances, when changing budgeted projections, funds will be transferred among projects, among direct cost categories or to a project not authorized in the grant. A transfer of funds may also be required when there is a change in program objectives or program scope.

IF YOU TRANSFER FUNDS ...	THEN GO TO PAGE ...
because of a change in project scope or objectives	6-2
among projects (Systems only)	6-5
among direct cost categories	6-6
to a cost category not authorized in the contract	6-7
to a cost category not authorized in the contract (systems only)	6-8

◆ ***Example One.***

System Y has a $897,432 grant. A budget revision is required: 1) if the grant amount is $100,000 or more and 2) when the cumulative transfers total ten percent of the grant amount. Ten percent of $897,432 is $89,743. Assume the following transfers occurred:

Date	Amount of Transfer	Cumulative Transfers	Description of Change
11/21	$10,000	0	Transfer from personnel in the Literacy project to personnel in the Audio Visual project.
11/21	$ 4,600	$14,600	Transfer from fringe benefits in the Literacy project to supplies in the Audio Visual project.
12/10	$24,500	$39,100	Transfer from supplies in the film project to supplies in the Collection Development project.
3/9	$33,600	$72,700	Transfer from contractual in the Administration project to supplies in the Automation project.
3/12	$17,143	$89,843	Transfer from supplies in the Audio Visual project to supplies in the Collection Development project.

Since the ten percent (10%) ceiling was reached on March 12, a budget revision is required.

Important Note

The example is limited to transfers among projects, but the cumulative transfers may be a combination of transfers among projects and transfers among direct cost categories.

To be included in the transfer of funds process, a project must be authorized in the grant agreement. If a project is not authorized, see page 35 for how to obtain approval.

TRANSFER OF FUNDS AMONG PROJECTS (System Grants Only)		
1. Do you have a systems grant?	----------NO----------	Procedure not applicable.
YES		
2. Do cumulative budget transfers total ten percent of the grant?	----------NO----------	Note change and include in future budget revision. Check transfer to see if scope change is involved.
YES		
3. Add this transfer with prior budget changes and request advisory council concurrence.		
4. Prepare program revision form to send to the Texas State Library requesting a budget revision.		
5. Submit program revision form and advisory council certification form to the System Operation Grants project manager.		
6. Texas State Library staff reviews.	---DISAPPROVES---	State Library sends letter explaining why request was not approved.
APPROVES		
7. Texas State Library prepares contract amendment and sends 2 originals to Grantee to be signed by person empowered to enter into contracts.		
8. Grantee returns executed contract amendment to the Texas State Library		

TRANSFER OF FUNDS AMONG DIRECT COST CATEGORIES		
1. Do cumulative budget transfers total ten percent of the grant?	----------NO----------	Note change and include in future budget revision request.
YES		
2. Add this change to any other budget changes. System must secure advisory council concurrence for transfers involving scope changes.		
3. Prepare program revision form for the Texas State Library requesting contract amendment.		
4. Submit program revision form and council certification to the respective project manager.		
5. Texas State Library reviews.	---DISAPPROVES---	State Library sends letter explaining why request was not approved.
APPROVES		
6. Texas State Library prepares contract amendment and sends 2 originals to Grantee to be signed by person empowered to enter into contracts.		
7. Grantee returns executed contract amendment to the Texas State Library		

◆ ***Example Five.***

Assume a grantee has received a grant of $85,000. Assume further the grantee wants to purchase additional library materials with excess funds in the "Personnel" budget category. Since the total grant is less than $100,000, a budget revision is not required. However, it is important to make sure that a scope change or prior approval cost is not involved in budgetary transfers.

◆ ***Example Six.***

Assume System X has received a grant totaling $338,394; therefore, ten percent (10%) totals $33,839. The following transfers of funds have occurred:

Date	Amount of Transfer	Cumulative Transfers	Description of Change
1/14	$ 5,050	0	Transfer from supplies in Film project to personnel in Publicity.
3/20	$ 6,000	$11,050	Transfer from travel in Literacy to travel in Administration.
4/30	$10,799	$21,849	Transfer from contractual in Automation project to supplies in Audio Visual.
5/31	$11,995	$33,844	Transfer from equipment in Automation to supplies in Collection Development.

Since the cumulative total of transfers among direct cost categories reached the ten percent (10%) ceiling was reached on May 31, a budget revision is required.

◆ ***Direct Costs Category Not Authorized in Contract.***

Funds cannot be transferred into a direct cost category that is not authorized in the grant agreement without prior approval from the Texas State Library. For example, assume System X wants to transfer $1,000 from salaries in the Film Project to travel in the Automation project. The system did not budget any funds for travel in this project; consequently, there are zero dollars in the contract for "Travel" expense category. Before making this transfer, the system must request a budget revision although the 10% ceiling may not have been reached.

As another example, assume a grantee has a contract of $75,000. Further assume the grantee did not budget funds in the category "Contractual" but wants to transfer $200 into this expense category. While a budget transfer is not required because the contract is less than $100,000, authorization is required from the State Library prior to making this transfer because this was this budget category was not authorized in the contract.

Important Note **The example focused only on transfers among direct cost categories. With System grants, the cumulative transfers may be a combination of transfers among direct cost categories and among projects.**

TRANSFER OF FUNDS TO A PROJECT NOT AUTHORIZED IN THE CONTRACT
(System Grants Only)

1. Do you have a systems grant?	----------NO----------	Procedure not applicable.
YES		
2. Are funds being transferred to a project not authorized in the system plan of service?	----------NO----------	No action required.
YES		
3. Secure advisory council authorization.		
4. Prepare program revision form to send to the Texas State Library requesting a budget revision to include project in current year's plan of service.		
5. Submit program revision form and advisory council certification form and project documentation to the System Operation Grants project manager.		
6. Texas State Library staff reviews.	---DISAPPROVES---	State Library sends letter explaining why request was not approved.
APPROVES		
7. Texas State Library prepares contract amendment and sends 2 originals to Grantee to be signed by person empowered to enter into contracts.		
8. Grantee returns executed contract amendment to the Texas State Library		
9. Contract is now formally amended to reflect this new project.		

¶ Subsection 6.3 Prior Approval Costs

◆ ***Introduction.***

Grantees are encouraged to include any expenditures of grant funds requiring prior approval in the grant application. However, if such costs are budgeted after the contract has been awarded, grantees must request a program revision. Prior approval costs are:

- Automatic data processing ($300 or more unit cost)
- Building space and related facilities
- Capital expenditures ($300 or more unit cost)
- Insurance and indemnification
- Pre-award Costs
- Professional services
- Proposal costs

◆ ***Procedures.***

When a Grantee submits a request for prior approval on the *Program Revision Form*, the contract must be amended to include this cost(s) in the prior approval section, if authorized by the Texas State Library.

The Grantee cannot exceed the quantity of items specified in the contract or subsequent contract amendment. For example, if four (4) cameras are authorized, this is the maximum that can be purchased without further authorization from the Texas State Library.

The Grantee may purchase fewer items than approved without obtaining further authorization.

The Grantee may choose not to purchase an item listed in the prior approval section of the contract without penalty.

The financial amounts listed in the prior approval section of the contract are only budget estimates and merely set the parameter for the expenditure. This may not be exceeded.

When requesting prior approval it is advisable to amend the contract budget "Bases for Calculating Reimbursable Costs" so that it will conform with the contract.

Unless a prior approval cost is included in the Plan of Service, a library system must secure Advisory Council concurrence.

PRIOR APPROVAL COSTS		
1. Expenditure authorized in the contract? | NO |	----------YES----------	No action required since cost was authorized in the contract.
2. Secure advisory council authorization if this expenditure would change the scope of the project or the project objectives. |		
3. Check the prior approval guidelines in Appendix B to determine if specific information must be included in the request. If documents such as bid specifications are required, these must be submitted with the request. |		
4. Prepare program revision form to submit to the Texas State Library requesting approval of the cost. |		
5. Submit program revision form, advisory council certification and other required documentation to the respective project managers: |		
6. Texas State Library staff reviews |	---DISAPPROVES---	State Library sends letter explaining why request was not approved.
7 Texas State Library prepares contract amendment and sends 2 originals to Grantee to be signed by person empowered to enter into contracts. |		
8 Grantee returns executed contract amendment to the Texas State Library		

◆ ***Example One***

A grantee wishes to purchase office furniture subsequent to the issuance of the grant agreement. Since this purchase has a unit cost of more than $300.00 and was not authorized in the grant contract, the grantee needs to obtain prior approval for this expenditure.

◆ ***Example Two***

As part of the grant agreement, System X was authorized to purchase three (3) chairs for the system's office. However, it was ascertained that additional chairs would be required. Since only three (3) chairs were authorized, approval must be obtained before purchasing the additional items.

◆ ***Example Three***

A Grantee received authorization to purchase a television as part of the grant agreement. Subsequently, it is decided that a VHS recorder will be purchased instead. The VHS recorder was not authorized in the grant agreement; therefore, the grantee must request prior approval.

◆ ***Examples of when concurrence is required.***

If the System Plan of Service stipulates that member libraries will have the option to purchase equipment as part of the Collection Development program, a list of specific items must be submitted along with Advisory Council concurrence.

If the System Plan of Service states that computer equipment will be purchased during the year, the system must submit certification of Advisory Council review and a revised project narrative when requesting prior approval.

Advisory Council concurrence will not be required, if the information contained in the System Plan of Service identifies specific options such as:

Member libraries will have the option to purchase audiovisual equipment, e.g., video recorders, tape recorders, film projectors, etc. The system will merely submit an itemized list when it is determined which items will be purchased.

The system will purchase 16 microcomputers and printers for a budgeted cost of $60,000. Since the expenditure is more than $10,000, the system must submit bid specifications.

Computer software will be purchased by member libraries as part of the non-print materials in the Collection Development program.

Important Note	**Prior approval costs are authorized only when the Grantee has received written approval from the Texas State Library and concurrence from the city or appropriate person with authority to enter into contractual agreements.**

Section 7

¶ Section 7:

◆ ***Introduction.***

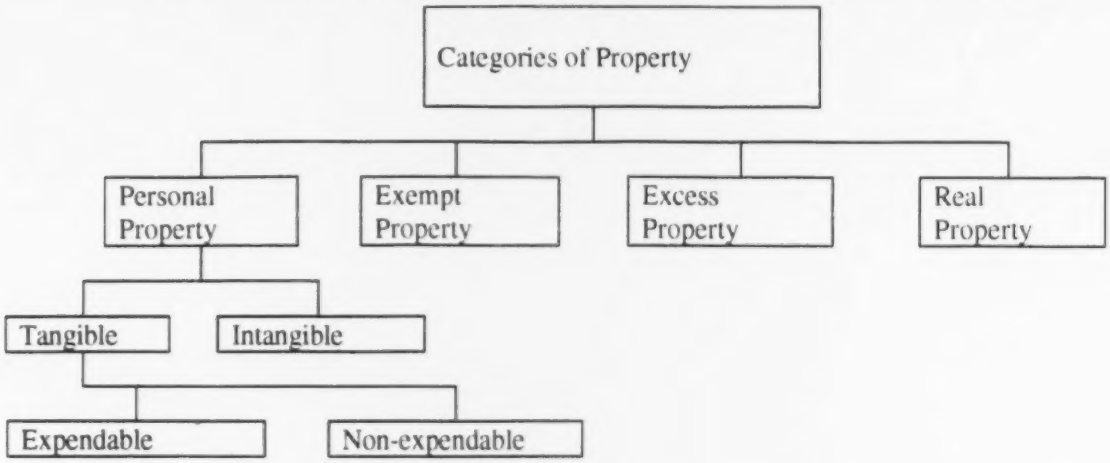
Since September 1973, the Texas State Library has made cash grants to local agencies of Government with funds appropriated through the State Library System's Act and Titles I and III of the federal Library Services and Construction Act. These cash grants have frequently included budgetary authorization for the purchase of tangible personal property considered necessary to carry out successfully the purposed of the grant program. Under terms of the grant agreement, Grantees are required to:

* submit an inventory to the Texas State Library of the tangible personal property purchased in whole or part with state and federal grant funds, or program income derived from the use of grant funds;
* conduct a physical inventory for the property at the request of the Texas State Library to determine the condition and location of the property;
* dispose of the property in accordance with instructions from the Texas State Library;
* maintain inventory records which list and describe the property;
* ensure that a control system is in effect to guarantee adequate safeguards to prevent loss, damage, or theft of the personal property; and
* ensure that the property is kept in good condition and that the property is used for the purposes of the grant program.

Property can only be acquired if provided for in the grant agreement or in a budget revision. The acquisition cost of property means the net invoice unit price including the costs of accessories, attachments or modifications required to make the property usable for the purpose intended. Charges for the cost of installation, transportation, taxes, etc. shall be included or excluded from the unit acquisition cost based on the Grantee's regular accounting practices. The Texas State Library must approve each capital expenditure in advance of purchase, which includes equipment and computer software costing $300 or more with a useful life of more than one year.

◆ ***Categories of Property.***

Property includes real property, equipment, supplies, inventions, patents, and copyrights.



Personal property is divided into two major categories; tangible and intangible. Tangible personal property is further sub-divided into:

* Nonexpendable personal property - library materials and equipment with a unit acquisition cost of $300 or more and a life expectancy of one or more years. This property includes, but is not limited to, equipment, books, computer software, films, videocassettes, and other print and non-print materials. Title to nonexpendable personal property shall be vested in the Grantee generally. As of September 1, 1985, title to property purchased under a System Operation Grant shall be vested in the Texas State Library or the system member library. If the property cost $300 ore more per unit, title shall be vested in the Texas State Library. If the property cost less than $300 per unit, title shall be vested in the system member library for which the property was purchased.
* Expendable personal property - property items with a unit acquisition cost of less than $300 and a life expectancy of less than one year. Such items do not need to be inventoried with the Texas State Library.

Exempt property is defined as property for which the Federal or State agency has statutory authority to vest title in the Grantee with no further obligation or accountability to the Federal or State government for its use or disposition.

Excess property is Federal or State property no longer needed by the Grantor agency.

Real property includes buildings, land (including improvements, structures, and appurtenances). The title is vested in the Grantee as long as the property is used for its original purpose. Approval must be obtained from the Texas State Library prior to using the property for other purposes.

¶ Subsection 7.1 Practices and Procedures

All Grantees who purchase non-expendable personal property with a unit acquisition cost of $300 or more must maintain accurate property records which include:

* Description of the property;
* Manufacturer's serial number, model number, Federal stock number or other identification number;
* Source of the property, including grant or agreement number;
* Whether title rests with the Grantee or the Texas State Library;
* Acquisition date and cost;
* Percentage (at end of the budget year) of Federal or State participation in the cost of the project for which the project was acquired;
* Location, use, and condition of the property and date the information was reported;
* Unit acquisition cost;
* Ultimate disposition date, including date of disposal and sales price or the method used to determine current fair market value where a Grantee compensates the Grantor agency for its share.

At least once every two (2) years, take a physical inventory of property and reconcile the results with the property records. Also verify the existence, current use and continued need for the property.

Establish a control system to safeguard property, thereby preventing loss, damage, or theft of the property. Any loss, damage, or theft shall be fully documented.

¶ Subsection 7.2 Policy on Trade-Ins

Property may be exchanged for replacement property if needed. The replacement may take place either through trade-in or through sale and application of the proceeds to the acquisition cost of the replacement items. If the original property item is traded in, the

Grantee should file with the Texas State Library a Property Disposition Form and should note that the property is being replaced. The "Sale Price" will be the "amount received for trade-in" which according to the Education Division General Administrative Regulations (EDGAR) means the "amount that would have been paid for the replacement equipment without a trade-in minus the amount paid with the trade-in." The term refers to the actual difference not necessarily the trade-on value shown on an invoice.

◆ ***Example One.***

Assume, for example, a Grantee wishes to purchase a new typewriter to replace an existing typewriter. If the cost of the new typewriter is $800 without trade-in and the cost of the new typewriter with trade-in is $600, then the sale price or the "amount received for trade-in" is $200 ($800 minus $600 equals $200).

¶ **Subsection 7.3 Disposition of Property Acquired through FY 1985**

The Grantee shall retain the property in the project as long as there is need for the property to accomplish the purpose of the project, whether or not the project continues to be supported by grant funds. When there is no longer a need for the property to accomplish the purposes of the project, the Grantee may use the property in connection with other library services, with priority being given to other federal or state supported library activities. When the property no longer is needed, the Grantee may request disposition instructions from the Texas State Library. The Texas State Library will authorize one of the following alternatives:

(1) The Grantee may be permitted to retain title. If the property had an acquisition cost of more than $1,000, then title may be locally retained after compensating the State of Federal government an amount computed by applying the Federal or State percentage or participation in the cost of the project to the fair market value of the property.

(2) The Grantee may be directed to sell the property. If the property had a unit acquisition cost of less than $1,000 and is of no further use, the Grantee may be authorized to sell the property in a manner which provides for fair competition to the extent practicable and results in the highest possible returns. Proceeds from the sale of interlibrary loan property held by a Major Resource Center shall be deposited as program income for the current interlibrary loan contract.

Proceeds from the sale of all other property entrusted to a Major Resource Center from system, Title III, Special Projects, or other grants should be deposited into the program income account for the current systems grant. If State funds were originally used to purchase the property, then the sale proceeds would be deposited into the program income account for the State systems grant. Similarly, proceeds from the sale of the Federally purchased property would be deposited into the Federal account.

If the property had a unit acquisition cost of $1,000 or more, the Grantee may sell the property and reimburse the Federal or State government an amount which is computed by applying the percentage of the Federal or State share in the property to the sales proceeds. The Grantee may, however, deduct and retain from that amount $100 or 10 percent of the proceeds, whichever is greater, to cover selling and handling expenses.

(3) The Grantee may be directed to transfer the property title to another Grantee. In this case, the Grantee shall be entitled to compensation computed by applying the Grantee's percentage of participation in the cost of the program or project to the current fair market value of the property, plus any reasonable shipping or interim storage costs incurred. This right of transfer title applies to non-expendable personal property having a unit acquisition cost of $1,000 or more. The State Library will issue disposition instructions to the Grantee within 120 calendar days after the end of the project period. If the State Library fails to issue disposition instructions within the 120 calendar days, the Grantee may sell the property and reimburse the State or Federal government in accordance with (2) above.

¶ Subsection 7.4 Disposition of Property Acquired After FY 1985

When non-expendable personal property with a unit acquisition cost of $300 or more is acquired by a Grantee wholly or in part with Federal or State funds or with program income derived from the use of Federal or State funds, title shall be vested in the Texas State Library. Title to property with a unit acquisition cost of less than $300 shall be vested in the system member library for which the property was purchased.

The Grantee shall retain the property in the project as long as there is need for the property to accomplish the purpose of the project, whether or not the project continues to be supported by grant funds. When there is no longer a need for the property to accomplish the purposes of the project, the Grantee may use the property in connection with other library services, with priority being given to other federal or state supported library activities. When the property no longer is needed, the Grantee may request disposition instructions from the Texas State Library.

For property with a unit acquisition cost of $300 ore more, the Texas State Library will authorize one of the following alternatives:

(1) The Grantee may be permitted to obtain title. If the property had an acquisition cost of more than $300, then title may be obtained by the Grantee after compensating the State or Federal government an amount computed by applying the Federal or State percentage or participation in the cost of the project to the fair market value of the property.

(2) The Grantee may be directed to sell the property. If the property had a unit acquisition cost of $300 or more and is of no further use value, the Grantee may be authorized to sell the property in a manner which provides for fair competition to the extent practicable and results in the highest possible returns. Proceeds from the sale of the property must be remitted to the Texas State Library. The Grantee may, however, deduct and retain $100 ore 10 percent of the proceeds, whichever is greater, to cover selling and handling expenses.

(3) The Grantee may be directed to transfer the property to another subgrantee. This right to transfer possession applies to non-expendable personal property having a unit acquisition cost of $300 or more. The State Library will issue disposition instructions to the Grantee within 120 calendar days after the end of the project period. If the State Library fails to issue disposition instructions within the 120 calendar days, the Grantee may sell the property and reimburse the State or Federal government in accordance with (2) above.

Important Note A *Property Disposition Report* should be filed with the Texas State Library for each property item to be removed from inventory due to loss, theft, sale, trade-in or other circumstances. All records pertaining to property which has been removed from inventory must be retained for seven (7) years from the date on which disposition takes place.

¶ Subsection 7.5 Inventory

To be in compliance with the *Common Rule*, an inventory will be conducted by the Texas State Library every two years. A print-out and diskette of all property purchased by the Grantee under library grants will be provided. The print-out or diskette must be updated and returned to the Texas State Library by the designated date, which is usually nine months from the mailing date.

Beginning with fiscal year 1985 grants, all personal property purchased with grant funds costing $300 or more and having a useful life of more than one year must be submitted to the Texas State Library on inventory records forms. Personal property includes library materials, books, films, audiovisual materials, videocassettes, equipment, computer software, etc. This requirement is not retroactive and applies only to 1985 grants and each successful grant year.

All non-expendable personal property purchased by grant recipients, with a unit cost of $300 or more, must be reported to the Texas State Library. These items must be listed on the Form TSL 51-12, *Property Inventory Record*, and forwarded to the Texas State Library by October 31 following the close of the grant year. For example, if the grant period is September 1, 1996 to August 31, 1997, the forms are due no later than October 31, 1997. Forms are provided to each Grantee when the contract for their grant project is forwarded.

◆ ***Supplies.***

Title to supplies acquired with grant funds is vested in the Grantee upon acquisition. If at the end of the grant period there is a residual inventory of unused supplies totaling $5,000, and the supplies are not needed for any currently or previously Federal or State sponsored project, the Grantee may retain or sell the supplies and pay the Grantor agency its share of the market value or sales proceeds. If sold, Grantees may deduct from the Federal or State share, the greater of $100 or 10 percent of the proceeds for selling expenses. In the event the value

of supplies is less than $5,000, at the close of the grant, the Grantee may retain or sell the supplies without compensating the Texas State Library.

- ***Copyrights.***

  Generally, Grantees are free to copyright any books, publications, films or other copyrightable material developed during a grant. However, the Texas State Library has a royalty-free, nonexclusive, and irrevocable right to reproduce, translate, use, and dispose of the materials and to authorize others to do so for government purposes.

Section 8

¶ Section 8:

◆ ***Introduction.***

Grantees are required to use sound procurement practices. There are five policies and principles which must be followed. These are:

* Equal treatment to all prospective sources through making awards and administering contracts
* Maximum open and free competition shall be sought for all purchases.
* Arms-length business relationships between purchasing organization and the contractor.
* Right to remedy by both parties to a contract.
* Support social and economic programs by allowing deviation from first two principles above and providing contracting opportunities to socially or economically disadvantaged businesses.

◆ ***Code of Conduct.***

In order to govern the performance of officers, employees, or agents involved in the award and administration of contracts, the Grantee must have a written code of conduct. No person involved in the procurement process may accept gifts, favors, or anything of monetary value from contractors or potential contractors. The code of conduct, to the extent permitted by law, shall provide for penalties, sanctions, or other disciplinary action for the violation of such standards by officers, employees, or agents, or by contractors or their agents. The Grantee has the ultimate responsibility for monitoring the conduct of employees, officers and agents.

¶ Subsection 8.1 Economic Procurement

Grantees are encouraged to use grant funds in an economical manner by avoiding purchasing unnecessary or duplicative items. There are several procedures available to meet this objective.

(1) Lease/purchase analysis: Consider leasing as an alternative to outright purchasing items. Where appropriate, an analysis will be made of lease versus purchase alternatives to determine the most economical method.

(2) Cooperative purchasing: Enter into intergovernmental agreements for purchasing through consortium arraignments, e.g., one governmental entity make purchase on behalf of itself and other jurisdictions to achieve administrative efficiencies or economies of scale. Grantees who are governmental entities, may also consider purchasing goods and services from State contract.

(3) Federal excess and surplus: When available and reduces project cost, Grantees are encouraged to use Federal excess and surplus equipment as opposed to purchasing new equipment.

(4) Value engineering: Use value engineering clauses in contacts for construction projects. Value engineering is a means for contractors to change the plans, designs, and specifications for projects lower the Grantee's costs for goods and services while maintaining necessary quality levels.

¶ Subsection 8.2 Contractor Qualifications

Grantees are directed by the *Common Rule* or OMB Circular A-110 to award contracts only to responsible contractors that possess the ability to perform successfully under the terms and conditions of a proposed contract. The following criteria should be used to determine if the contractor can fulfill the terms and conditions: contractor integrity, past performance, financial and technical resources, and compliance with public policy.

Grantees are prohibited form doing business with any contractor that has been debarred or suspended under the government-wide suspension and debarment system. To comply with the debarment requirements, grantees must obtain a certification from bidders for contracts over $25,000 or with persons who will have critical influence over a contract. This certification states that the contractor is not prohibited from working on federally assisted projects.

¶ Subsection 8.3 Records

Grantees are responsible for maintaining adequate records pertaining to procurement. These records shall include, at a minimum, the rationale for the method of procurement, selection of type of contract, selection or rejections of a specific contractor and the basis for the cost or price.

¶ Subsection 8.4 Mediation

The Texas State Library is not responsible for the settlement of contractual and administration issues related to procurements. Grantees are responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues related to procurements. These issues include, but are not limited to, source evaluation, protests, disputes, and claims. Violations of law are to be referred to local, state or federal authority having proper jurisdiction. Grantees are required to have protest procedures to handle and resolve disputes relating to their procurements and shall in all instances disclose information regarding the protest to the awarding agency.

¶ Subsection 8.5 Competition

All procurement transactions shall be conducted to provide maximum open and free competition. This competition should occur regardless of the dollars involved or the method of procurement used. There are several situations which restrict competition. Some are:

* unreasonable requirements placed on firms to qualify;
* unnecessary experience and excessive bonding;
* non-competitive pricing practice between firms;
* organizational conflicts of interest;
* specifying "brand name" products;
* noncompetitive awards to consultants on retainer;
* any arbitrary action in the procurement process

Grantees must conduct procurements in a manner that prohibits the use of statutorily or administratively imposed in-state or local geographic preferences in the evaluation of bids or proposals. The only exception to this requirement is those cases where applicable Federal statutes expressly mandate or encourage geographic preference. When contracting for A/E services (architectural and engineering), geographic location may be a selection criteria provided there will be an appropriate number of qualified firms to bid on the project.

¶ Subsection 8.6 Selection

Grantees shall have written selection procedures which will include the following:

* A clear and accurate description of technical requirements for the material, product, or service to be procured. However, these requirements must not restrict competition.
* A statement of the qualitative nature of the material, product, or service to be procured and the minimum essential characteristics and standards to which it must conform.
* Detailed product specifications should be avoided if at all possible.
* "Brand name or equal" description should be used only when it is impractical or uneconomical to make a clear and accurate description of the technical requirements.
* Specific features of the named brand shall be clearly stated.
* Awards shall be made only to responsible contractors with the ability to successfully perform the terms and conditions of a proposed procurement.
* Ensure that all prequalified lists used in acquiring goods and services are current and include enough qualified sources for open and free competition.

¶ Subsection 8.7 Methods

Grantees may choose from four (4) methods of procurement: small purchase, sealed bids (formal advertising), competitive proposals, and non-competitive proposals.

◆ ***Small Purchase.***

These are less formal, relatively simple procedures for purchasing goods, services, and supplies. Grantees are authorized to use small purchase procurement for acquisitions under $25,000. If the Grantee's limit is lower, then this limit must be observed. Price or rate quotations must be obtained from an adequate number of qualified sources.

◆ ***Competitive sealed bids.***

A firm-fixed-price contract is made to the bidder whose bid conforms with the material terms and condition of the invitation to bid and is the lowest price. If price is not the single factor in determining the winning bid, the Request for Bids must clearly describe other factors and the method for applying them when evaluating the bids. Under the sealed bid method for procurements, all bids may be rejected if there is a well documented reason.

◆ ***Competitive proposals.***

This method is generally used when conditions are not appropriate for sealed bids. A Request for proposal is publicized to identify all evaluation factors and their relative importance. Proposals are solicited from an adequate number of sources and the contractor is selected based on a technical evaluation of the proposals. Awards are made to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered.

◆ ***Noncompetitive proposals.***

This method may only be used when the other procurement methods are not feasible and the following circumstances apply:

* the item is available from only one source;
* there is a public exigency or emergency need for the item which will not permit the delay resulting from competitive solicitation;
* the awarding agency authorizes noncompetitive proposals; and
* after solicitation of a number of sources, competition is determined inadequate.

The method used and the type of procurement system established is the decision of the local entity or governing authority. The Texas State Library does recommend that the Grantee use an appropriate procurement method and have adequate procurement standards. As part of the organization wide audit mandated by OMB Circular A-128, an examination will be made of procurement procedures to ensure that all grant-related purchases were incurred in accordance with competitive purchasing procedures.

¶ **Subsection 8.8 Contracting with small and minority firms, women's business enterprise and labor surplus area firms.**

The Grantee will take all necessary affirmative steps to assure that minority firms, women's business enterprises, and labor surplus area firms are used when procuring goods and services. These affirmative steps include:

* placing qualified small and minority businesses and women's business enterprises on the solicitation list;
* ensuring that small and minority-owned business are solicited whenever they are potential sources;

* dividing total requirements, if economically feasible, into smaller tasks or quantities to permit maximum small and minority business participation;
* establishing delivery schedules which encourage participation of small and minority businesses;
* using the services and assistance of the Small Business Administration and the Minority Business Development Agency of the Department of Commerce; and
* requiring the prime contractor to take the affirmative steps listed above with regard to subcontracts.

¶ Subsection 8.9 Contract Cost and Pricing

Grantees must perform a cost or price analysis for every procurement action including contract modifications. If the sealed bid method is used, a cost or price analysis is not required. When noncompetitive proposals are used, a cost analysis is essential. The method and degree of analysis is dependent on the facts surrounding the particular procurement situation. Cost analysis is not required when prices are set by law or regulations, for example, utility rates.

Profit shall be negotiated as a separate element of the price for each contract in which there is no price competition and in all cases where cost analysis is performed.

The cost plus-percentage of cost method for determining contract price is prohibited. Under this method of procurement, profit is calculated as a percentage of contractor cost. Therefore, the incentive to hold down costs is absent while the incentive to increase costs is usually operative.

¶ Subsection 8.10 Submission of Procurement Documents

Generally, the Grantee is not required to submit its procurement documents to the Texas State Library. However, should any of the following conditions exist, the Grantee must submit the documents:

* Contracts exceed $25,000 and is noncompetitive or if only one bid is received in response to the invitation to bid;
* Contracts over $25,000 and specifies a brand name product;
* Contracts over $25,000 are to be awarded to other than the lowest bidder under a sealed bid procurement.

* The Grantee is purchasing computer hardware, computer software, or automation professional services exceeding $10,000.
* The Grantee is procuring professional services for which the documents will support a request to the Texas State Library for prior approval of the anticipated expense;
* The Grantee's procurement procedures do not comply with one or more major aspect of the *Common Rule* or OMB Circular A-110.

¶ Subsection 8.11 Bonding

For construction or facility improvement contracts or subcontracts exceeding $100,000, the Texas State Library may accept the bonding policy and requirements of the Grantee provided it is determined that the Texas State Library and the Department of Education's interests are adequately protected. In the event such a determination is not made, these minimum requirements must be met by Grantees:

* A bid guarantee from each bidder equivalent to five percent of the bid price. This shall consist of a bid bond, certified check, or other negotiable instrument accompanying a bid as assurance that the bidder, if awarded the bid, will execute such contractual documents as may be required within the specified time.
* A performance bond on the part of the contractor for 100 percent of the contract price. This bond shall be executed in connection with the contract to ensure the contractor fulfills all obligations under such contract.
* A payment bond on the part of the contractor for 100 percent of the contract price. This bond assures payment, as required by law, to all persons supplying labor and material in the execution of the work provided for in the contract.

¶ Subsection 8.12 Contract Provisions

The *Common Rule* and OMB A-110 set forth provisions which must be included in all procurement contracts:

* Procedure to remedy breaches or violations of contract terms;
* Provisions for termination of contracts in excess of $10,000 for cause and for convenience by the Grantee or Grantor.
* Contractor must be in compliance with E.O. 11246 entitled "Equal Employment Opportunity," by having an Affirmative Action Plan if contract exceeds $10,000.

* Notice of grantor agency regulations pertaining to inventions and copyright on materials generated under the contract.
* Federal agencies have access to contractor records which are pertinent to grant supported contracts.
* Include provision of Davis Bacon Act which requires all contractors who receive $2,000 or more to pay laborers and mechanics at least weekly the prevailing wage established by the Department of Labor.
* Construction contracts must include Section 103 and 107 of the Contract Work Hours and Safety Standards Act which requires contractors to pay an overtime rate of one and one-half time the basic hourly rate and provide safe and healthy work surroundings and conditions.
* Contractors must comply with the copeland "Anti-Kickback" Act which stipulates that contractors on construction and repair projects cannot induce any person employed on a project to give up any part of his or her just compensation.
* All contracts in excess of $100,000 must include the provision requiring compliance with the Clean Air Act, Clean Water Act, Executive Order 11738, and Environmental Protection Agency regulations.
* Contracts must include a provision requiring records to be retained seven years after the final payments and all other pending matters are closed.

Section 9

¶ **Section 9:**

◆ ***Introduction.***

Grantees may not make any award or permit any award at any tier to a party debarred or suspended from participation in Federal assistance programs.

◆ ***Executive Order 12549.***

This order was signed by the President on February 18, 1986 as part of the Reagan administration's initiatives to curb fraud, waste, and abuse. The order established government-wide rules for non-procurement debarment or suspension. Guidelines issued by the Office of Management and Budget, which implement the order, state that "It is the policy of the Federal government to conduct business only with responsible persons. Debarment and suspension are serious actions which shall be used only in the public interest and for the Federal government's protection and not for the purpose of punishment."

¶ **Subsection 9.1 Causes for Debarment and Suspension**

The grounds for debarment or suspension focus on the commission of fraud or wrongdoing. Whether it is against a Federal agency, State, or individual, it is the act of wrongdoing that is key. The three (3) categories of causes for action, as outlined in the *Common Rule* are:

* conviction or civil judgment for fraud, criminal offenses, violation of antitrust statues, embezzlement, theft, forgery, bribery, falsification of records, false claims, obstruction of justice or "other offenses indicating a lack of business integrity or business honesty that seriously and directly affects the present responsibility of a person;
* violation of a public agreement "so serious as to affect the integrity of an agency program" such as a willful failure to perform, history of substantial non-compliance, and willful violation of statutory or regulatory provisions;
* knowingly doing business with debarred or suspended parties or failure to pay a substantial debt or a number of outstanding debts.

¶ **Subsection 9.2 Compliance**

There are two (2) ways to comply with debarment and suspension:

* Review the "List of Parties Excluded from Federal Procurement and Non-Procurement Programs", and
* Use of certifications at the time the grant application or contract is received.

◆ ***Expenditure of Grant Funds.***

Grantees are required to obtain a certification from all contractors above $25,000 and contracts with persons for key activities. The transactions for which certification must be received are:

* All contracts over $25,000 for goods or services.
* Contracts with a person with critical influence or control regardless of amount must include certification. Principal investigators and auditors fall in this category.

Section 10

¶ Section 10:

◆ ***Introduction.***

All records must be retained for a period of seven (7) years, except where there is pending litigation, claims, appeals, or unresolved audit exceptions.

◆ ***When Retention Begins.***

The starting date of the retention period depends on the type of record involved.

IF THE RECORD IS...	RETENTION BEGINS WHEN...
general (one-time grant)	final expenditure report is submitted
general (annual grants)	annual expenditure report is submitted
property and equipment	disposition of the property or equipment occurs
indirect cost plans and cost allocation plans submitted for negotiation	submitted to the cognizant agency
indirect cost plans and cost allocation plans **NOT** submitted for negotiation	the fiscal year covered by the plan ends

¶ Subsection 10.1 Access

The Texas State Library, the U.S. Comptroller General or his duly authorized representatives have access to all Grantee records. In order to make audits, examinations, excerpts, and transcripts, access shall be available to all books, documents, papers and records of the Grantee. The grant agreement cannot restrict access to records, unless required by law. If the records would have been excepted from disclosure pursuant to the Freedom of Information Act and confidentiality must be maintained, then access can be restricted.

Access to records shall not be limited to the retention period but as long as the records are retained. Therefore, if a Grantee keeps records longer than the seven (7) year period, the Texas State Library, the U.S. Comptroller General or his duly authorized representatives shall continue to have access.

¶ Subsection 10.2 Format

Grantees are not required to retain original documents. If a Grantee chooses, records may be retained on microfilm or microform in lieu of the original documents.

¶ Subsection 10.3 Disposition

It is advisable to contact the Library Development Division of the Texas State Library before discarding any records pertaining to library grants. This is particularly important if the grant accounts have not been closed. To ascertain if this is applicable to any of your grants call or write:

Sharon R. Conable
Grants Administrator
Library Development Division
Texas State Library
Box 12927/Capitol Station
Austin, Texas 78711
(512) 463-6626

Section 11

¶ Section 11:

◆ ***Introduction.***

When a Grantee materially fails to comply with the terms and conditions of a grant award, the awarding agency upon reasonable notice may suspend the grant. Suspension may be imposed by 1) temporarily withholding cash payments pending correction of the deficiency by the Grantee, 2) disallowing all or part of the cost of the activity not in compliance, 3) suspending or terminating, wholly or partly, the Grantee's program, and 4) withholding further awards for the program.

¶ Subsection 11.1 Termination

A grant can be suspended when a Grantee fails to submit required financial and/or performance reports. Suspension can not be effective until the Grantee has received sufficient notice. Library grant agreements stipulate that the Grantee must receive fifteen (15) days written notification from the Texas State Library, prior to grant suspension. The written notification must include the reason why the grant is being suspended and what corrective action is required.

During the period of suspension, the Grantee shall not incur any additional obligations. However, the Grantee shall be reimbursed for those expenses which can not be reasonably avoided, provided they are allowable under OMB Circular A-87 and A-122. Suspension is a temporary action; consequently, it can not be appealed. If the Grantee fails to take the corrective action required, then termination for cause may be necessary.

Current grants are suspended if a Grantee fails to submit the required financial or performance reports for a prior year grant. For example, if an audit report for the FY 1996 grant is not submitted in a timely manner, the Texas State Library will suspend payment of FY 1997 grant funds until the audit has been received.

¶ Subsection 11.2 Termination for Cause

An agreement may be terminated for cause. This means that the Grantee has failed to comply with the conditions of the grant. When the agreement is terminated for cause, the Grantee must be notified in writing of the determination and reason for termination, including

the effective date. Termination is a final action, therefore it can be appealed. Grantees wishing to appeal a grant termination may follow the agency's appeals procedure. A copy of the appeals procedure appears in this handbook as Appendix D.

¶ Subsection 11.3 Termination for Convenience

The grant agreement may be terminated for convenience. In this instance, both parties to the agreement mutually agree to cancel the grant. Termination for convenience procedures require that both parties to the agreement shall decide the termination conditions and the effective date. The Grantee shall not incur any new obligations after the effective date, and shall cancel as many outstanding obligations as possible. The Grantee shall be reimbursed fully for those obligations properly incurred prior to termination.

Section 12

¶ Section 12:

◆ ***Introduction.***

The Grantee must complete all administrative actions and all work on the grant at the completion of the grant contract period.

¶ Subsection 12.1 Procedure

In order to close-out a grant several requirements must be met:

- all final reports must be submitted including performance and financial;
- any refunds or unobligated funds due to the Texas State Library must be returned;
- any additional reimbursement due the Grantee must be paid promptly;
- Grantee must account for property acquired with grant funds;
- Texas State Library has the right to recover any costs deemed inappropriate when the final audit has been completed.

There are several administrative requirements not affected by close-out of the grant account:

- retention of records;
- property management;
- program income;
- disallowed costs resulting from a final audit of the grant.

¶ Subsection 12.2 Year-End Timeline

To assist our Grantees in meeting the deadlines associated with year-end grant requirements, the following timeline has been prepared. It is important to note that the timeline does not incorporate all reporting requirements, since these are detailed in Section 3 and 5.

Texas State Library

Year-End Grant Close-Out Timeline

TASK	DUE DATE	COMPLETION DATE
Request prior approval for automation items	June 1	
Request all other prior approval	August 1	
Submit budget amendments	August 15	
Encumber grant funds	August 31	
Complete professional services (except audit)	August 31	
Submit Fourth Quarter Financial Status Report	September 25	
Submit Annual Evaluation Report	September 25	
Submit Disadvantaged Services Report (Systems Only)	September 25	
Submit Monthly Activity and TAT Reports (ILL Only)	September 25	
Submit Standardized Reporting Form	September 25	
Submit Workshop Reporting Form (Systems Only)	September 25	
Liquidate all Encumbrances	October 31	
Submit Final Financial Status Report	October 31	
Property Inventory Record Due	October 31	

Final Request for Reimbursement or Grant Refund Check	October 31	
Submit Audit Report (Cities and Counties)	12 Months after local fiscal year	
Submit Audit Report (All other Grantees)	13 Months after end of grant year	

APPENDIX A

PROGRAM REVISION FORM

SYSTEM OR LIBRARY NAME:_____

CONTRACT#:_____ Date:_____

Person requesting change:_____

Please check purpose of request and complete form accordingly:

_____ SCOPE CHANGE ____ BUDGET AMENDMENT ____ PRIOR APPROVAL

Systems must attach Certificate of Review for scope changes.

SCOPE CHANGE REQUESTED:

SCOPE CHANGE JUSTIFICATION:

HOW DOES THIS AFFECT PERFORMANCE MEASURES?

PRIOR APPROVALS

PRIOR APPROVALS:

1. List prior approvals for items whose unit cost is over $300.00.
2. Attach bid specifications if required.
3. Attach RFP if required.
4. Prior Approval Classifications are a) Automatic Data Processing, b) Building Space and Related Costs, c) Capital Expenditures, d) Insurance and Indemnification, e) Management Studies, f) Pre-Agreement Costs, g) Professional Services, and h) Proposal Costs
5. Budget Classifications are a) Personnel, b) Fringe Benefits, c) Travel, d) Equipment, e) Supplies, f) Contractual, and g) Other

Project	Prior Approval Classification	Item Description	Units	Unit Cost	Total Cost	Budget Classification

BUDGET AMENDMENT

Please attach the Bases for Calculating Reimbursable Costs spreadsheet for Budget Amendment requests and verify that decreases = increases.

Decrease following:			**Increase** following:		
Project	Expense Category	Amount	Project	Expense Category	Amount
		_____			_____

TIME AND ATTENDANCE REPORT

Name _____ Title _____ Period Ending _____

Social Security Number _____

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
Project Name and Number																
1 Administration																
2 Collection Development																
3 Consulting																
4 Continuing Education																
Sub-Total Changeable Time																
Released Time																
Sick Leave																
Vacation																
Holiday																
Other (Describe)																
Sub-Total Released Time																
Total Chargeable and Released Time																

This is true and correct to the best of my knowledge

Employee Signature _____ Project Director or Supervisor _____

Form III

TEXAS APPLICATION FOR PAYEE IDENTIFICATION NUMBER

• Shaded areas for state agency use only • See instructions on back

For Comptroller's use only

1. Is this a new account? ☒ YES Mail Code 000 Complete Sections I-V ☐ NO Enter Mail Code ____ Complete Sections I, II & V Agency number 306

SECTION I

2. PAYEE IDENTIFICATION NUMBER (PIN) - Indicate the type of number you are providing to be used for your PIN.

☒ 1. - Federal Employer's Identification (FEI) Number

☐ 2. - Social Security Number (SSN) Enter the number indicated 1

☐ 3. - Comptroller's assigned number

3. Are you currently reporting any Texas tax to the Comptroller's Office other than unemployment (e.g., sales tax, franchise tax) ?

☐ YES ☐ NO If "YES," enter Texas Taxpayer Number ____

SECTION II

PAYEE INFORMATION (*Please print or type*)

4. Name of payee (individual or business to be paid)

5. Mailing address where you want to receive payments

6. (Optional)

7. (Optional)

8. (Optional)

9 City State TX ZIP Code – Zone Code

10. Payee telephone number (Area code and number) ___/___-____ SIC Code ____ Security Type Code 0 (0,1,2)

SECTION III

11. **OWNERSHIP CODES** - Check only one code by the appropriate ownership type that applies to you or your business.

☐ **I** - Individual Recipient (not owning a business)

☐ **E** - State Employee If checked, enter employing agency number __

☐ **S** - Sole Ownership of Business If checked, enter the owner's name and Social Security Number (SSN) or Federal Employer's Identification (FEI) Number.

Owner's Name ____

SSN/FEI 2

☐ **P** - Partnership If checked, enter two partner's names and Social Security Numbers (SSN). If a partner is a corporation, use the corporation's Federal Employer's Identification (FEI) Number.

Name ____

SSN/FEI __

Name ____

SSN/FEI __

☐ **N** - Other If checked, explain ____

☐ **J** - Joint Venture

☐ **L** - Limited Partnership If checked, enter Texas File Number

☐ **T** - Texas Corporation If checked, enter Texas Charter Number

☐ **A** - Professional Association If checked, enter Texas Charter Number

☐ **C** - Professional Corporation If checked, enter Texas Charter Number

☐ **O** - Out-of-State Corporation

☐ **G** - Governmental Entity

☐ **U** - State agency / University

☐ **F** - Financial Institution

☐ **R** - Foreign (out of U.S.A.)

SECTION IV

12. Payment Assignment? ☐ YES ☐ NO *Note: A copy of the assignment between payees must be attached.*

Assignee name ____

Assignee PIN ____ Assignment date __/__/__

13. Comments ____

14. sign here » ____ Date ____

15. Agency name Texas State Library Prepared by ____ Phone (Area code and number) (512) 463-5471

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TEXAS STATE LIBRARY
Library Development Division

SIGNATURE CARD

This document authorizes the Texas State Library to use signed, faxed financial reporting forms as official documents upon verification of the signature with one of the signatures below. These signatures will be valid beginning September 1, 1996 and shall terminate February 28, 1998.

It is the responsibility of the Performing Agency to notify the Texas State Library of personnel changes which would invalidate this signature card. A revised card will be issued upon confirmation.

The undersigned person does hereby certify that (1) they are an official of the Performing Agency under grant contract #; (2) they are one of the local fiscal officers responsible for the account into which funds from the above mentioned contracts are to be paid; and (3) the arrangements and payments contracted for are in compliance with the provisions for Programs of the Department of Education, the Rules and Regulations and the General Provisions of the Library Services and Construction Act, P.L. 101-254 and the State Library Plan for operation under the Library Services Act.

Type or print name of local fiscal officer.

Name of Fiscal Officer	Title
Signature of Fiscal Officer	Date
Name of Alternate Fiscal Officer	Title
Signature of Alternate Fiscal Officer	Date
September 1, 1996 Date of signature card validation	February 28, 1998 Date of signature card invalidation

Form V

Standard Form 269

Financial Status Report

(Long Form)

(Follow instructions on the back)

1. Federal Agency and Organizational Element to Which Report is Submitted	2. Federal Grant or Other Identifying Number Assigned By Federal Agency	OMB Approved No.	Page	of
Texas State Library	**Contract #**	0348-0039		pages

3. Recipient Organization (Name and complete address, including ZIP code)			
4. Employer Identification Number	5. Recipient Account Number or Identifying Number	6. Final Report ☐ Yes ☐ No	7. Basis ☐ Cash ☐ Accrual

8. Funding/Grant Period *(See Instructions)* From: (Month, Day, Year)	To: (Month, Day, Year)	9. Period Covered by this Report From: (Month, Day, Year)	To: (Month, Day, Year)

10. Transactions:	I Previously Reported	II This Period	III Cumulative
a. Total Outlays			
b. Refunds, rebates, etc.			
c. Program income used in accordance with the deductions alternative			
d. Net outlays *(Line a, less the sum of lines b and c)*			
Recipient's share of net outlays, consisting of:			
e. Third party (in-kind) contributions			
f. Other Federal awards authorized to be used to match this award			
g. Program income used in accordance with the matching or cost sharing alternative			
h. All other recipient outlays not shown on lines e, f, or g			
i. Total recipient share of net outlays *(Sum of lines e, f, g, and h)*			
j. Federal share of net outlays (line d less line i)			
k. Total unliquidated obligations			
l. Recipient's share of unliquidated obligations			
m. Federal share of unliquidated obligations			
n. Total federal share (sum of lines j and m)			
o. Total federal funds authorized for this funding period			
p. Unobligated balance of federal funds *(Line o minus line n)*			
Program income, consisting of:			
q. Disbursed program income shown on lines c and/or g above			
r. Disbursed program income using the addition alternative			
s. Undisbursed program income			
t. Total program income realized *(sum of lines q, r and s)*			

11. Indirect Expense	a. Type of Rate *(Place 'X' in appropriate box)* ☐ Provisional	☐ Predetermined	☐ Final	☐ Fixed
	b. Rate	c. Base	d. Total Amount	e. Federal Share

12. *Remarks: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation.*

13. Certification: **I certify to the best of my knowledge and belief that this report is correct and complete and that all outlays and unliquidated obligations are for the purposes set forth in the award documents.**

Typed or Printed Name and Title	Telephone (Area code, number and extension)
Signature of Authorized Certifying Official	Date Report Submitted

Previous Edition Usable
NSN 7540-01-012-4285

269-104

Standard Form 269 (REV 2-92)
Prescribed by OMB Circulars A-102 and A-110

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FINANCIAL STATUS REPORT (Follow instructions on the back)	1. FEDERAL AGENCY AND ORGANIZATIONAL ELEMENT TO WHICH REPORT IS SUBMITTED: TEXAS STATE LIBRARY	2. FEDERAL GRANT OR OTHER IDENTIFYING NUMBER: CONTRACT #	TSL Approved	Page _ of _
3. RECIPIENT ORGANIZATION (Name and complete address, including ZIP Code)	4. EMPLOYER IDENTIFICATION NUMBER	5. RECIPIENT ACCOUNT NUMBER OR IDENTIFYING NUMBER	6. FINAL REPORT ☐ YES ☐ NO	7. BASIS ☐ CASH ☐ ACCRUAL
	8. PROJECT/GRANT PERIOD (See Instructions) FROM (Month, day, year)	TO (Month, day, year)	9. PERIOD COVERED BY THIS REPORT FROM (Month, day, year)	TO (Month, day, year)

10. STATUS OF FUNDS

PROGRAMS/FUNCTIONS/ACTIVITIES	(I)	(II)	(III)	(IV)	(V)	(VI)	(VII) TOTAL
a. Net outlays previously reported							
b. Total outlays this report period							
c. *Less*: Program income credits							
d. Net outlays this report period *(Line b plus line c)*							
e. Net outlays to date *(Line a plus line d)*							
f. *Less*: Non-Federal share of outlays							
g. Total Federal share of outlays *(Line e minus line f)*							
h. Total unliquidated obligations							
i. *Less*: Non-Federal share of unliquidated obligations shown on line h							
j. Federal share of unliquidated obligations							
k. Total Federal share of outlays and unliquidated obligations							
l. Total cumulative amount of Federal funds authorized							
m. Unobligated balance of Federal Funds							

11. INDIRECT EXPENSE	a. TYPE OF RATE (Place 'X' in appropriate box) ☐ PROVISIONAL ☐ PREDETERMINED ☐ FINAL ☐ FIXED	b. RATE	c. BASE	d. TOTAL AMOUNT	e. FEDERAL SHARE

12. REMARKS: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation

13. CERTIFICATION

I certify to the best of my knowledge and belief that this report is correct and complete and that all outlays and unliquidated obligations are for the purpose set forth in the award documents.

SIGNATURE OF AUTHORIZED CERTIFYING OFFICIAL

DATE REPORT SUBMITTED

TYPED OR PRINTED NAME AND TITLE

TELEPHONE (Area code, number and extension)

Previous Editions not usable
NSN 7540-01-012-4285

269A-101

200-498 P.O. 139 (Face)

STANDARD FORM 269A (REV 2-92)
Prescribed by OMB Circulars A-102 and A-110

Form VI

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Form VII

Standard Form 270

REQUEST FOR ADVANCE OR REIMBURSEMENT (See instructions on back)	OMB APPROVAL NO 0348-0004	PAGE OF PAGES
1 TYPE OF PAYMENT REQUESTED	a. "x" one or both boxes: ☐ ADVANCE ☐ REIMBURSEMENT b. "x" the applicable box: ☐ FINAL ☐ PARTIAL	2 BASIS OF REQUEST: ☐ CASH ☐ ACCRUAL

3 FEDERAL SPONSORING AGENCY AND ORGANIZATION ELEMENT TO WHICH THIS REPORT IS SUBMITTED	4 FEDERAL GRANT OR OTHER IDENTIFYING NUMBER ASSIGNED BY FEDERAL AGENCY	5 PARTIAL PAYMENT REQUEST NUMBER FOR THIS REQUEST
Texas State Library	Contract #	

6 EMPLOYER IDENTIFICATION NUMBER	7 RECIPIENT'S ACCOUNT NUMBER OR IDENTIFYING NUMBER	8 PERIOD COVERED BY THIS REQUEST	
		FROM (month, day, year)	TO (month, day, year)

9 RECIPIENT ORGANIZATION	10 PAYEE (Where check is to be sent if different than item 9)
Name : Number and Street : City, State and ZIP Code :	Name Number and Street City, State and ZIP Code :

11. COMPUTATION OF AMOUNT OF REIMBURSEMENTS/ADVANCES REQUESTED

PROGRAMS/FUNCTIONS/ACTIVITIES	(a)	(b)	(c)	TOTAL
(As of date) a. Total program outlays to date	$	$	$	$
b. *Less:* Cumulative program income				
c. Net program outlays *(Line 1 minus line b)*				
d. Estimated net cash outlays for advance period				
e. Total *(Sum of lines c & d)*				
f. Non-Federal share of amount on line e				
g. Federal share of amount on line e				
h. Federal payments previously requested				
i. Federal share now requested *(Line g minus line h)*				
j. Advances required by month, when requested by Federal grantor agency for use in making making prescheduled advances — 1st month				
2nd month				
3rd month				

12. ALTERNATE COMPUTATION FOR ADVANCES ONLY

a. Estimated Federal cash outlays that will be made during period covered by the advance	$
b. *Less:* Estimated balance of Federal cash on hand as of beginning of advance period	
c. Amount requested *(Line a minus line b)*	$

13. CERTIFICATION

I certify that to the best of my knowledge and belief the data is correct and that all outlays were made in accordance with the grant conditions or other agreement and that payment is due and has not been previously requested.	SIGNATURE OF AUTHORIZED CERTIFYING OFFICIAL	DATE REQUEST SUBMITTED
	TYPED OR PRINTED NAME AND TITLE	TELEPHONE (AREA CODE, NUMBER, EXTENSION)

This space for agency use

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Standard Form 271

OUTLAY REPORT AND REQUEST FOR REIMBURSEMENT FOR CONSTRUCTION PROGRAMS *(See instructions on back)*	OMB APPROVAL NO. 0348-0002	PAGE OF 1 PAGES
	1. TYPE OF REQUEST ☐ FINAL ☐ PARTIAL	2. BASIS OF REQUEST ☐ CASH ☐ ACCRUAL
3. FEDERAL SPONSORING AGENCY AND ORGANIZATION ELEMENT TO WHICH THIS REPORT IS SUBMITTED TEXAS STATE LIBRARY	4. FEDERAL GRANT OR OTHER IDENTIFYING NUMBER ASSIGNED BY FEDERAL AGENCY	5. PARTIAL PAYMENT REQUEST NO.
6. EMPLOYER IDENTIFICATION NUMBER / 7. RECIPIENT ACCOUNT OR OTHER IDENTIFYING NUMBER	PERIOD COVERED BY THIS REPORT FROM *(Month, day, year)*	TO *(Month, day, year)*
9. RECIPIENT ORGANIZATION *Name:* *No. and Street:* *City, State, and* *Zip Code:*	10. PAYEE *(Where check should be sent if different than item 9)* *Name:* *No. and Street:* *City, State, and* *Zip Code:*	

11. **STATUS OF FUNDS**

CLASSIFICATION	PROGRAMS — (a)	FUNCTIONS — (b)	ACTIVITIES (c)	TOTAL
a. Administrative expense	$	$	$	$
b. Preliminary expense				
c. Land, structure, right-of-way				
d. Architectural engineering basic fees				
e. Other architectural engineering fee				
f. Project inspection fees				
g. Land development				
h. Relocation expense				
i. Relocation payments to individuals and businesses				
j. Demolition and removal				
k. Construction and project improvement cost				
l. Equipment				
m. Miscellaneous cost				
n. Total cumulative to date (sum of lines a thru m)				
o. Deductions for program income				
p. Net cumulative to date (line n minus line o)				
q. Federal share to date				
r. Rehabilitation grants (100% reimbursement)				
s. Total Federal share (sum of lines q and r)				
t. Federal payments previously requested				
u. Amount requested for reimbursement	$	$	$	$
v. Percentage of physical completion of project	%	%	%	%

12. CERTIFICATION			
I certify that to the best of my knowledge and belief the billed costs or disbursements are in accordance with the terms of the project and that the reimbursement represents the Federal share due which has not been previously requested and that an inspection has been performed and all work is in accordance with the terms of the award.	a. RECIPIENT	SIGNATURE OF AUTHORIZED CERTIFYING OFFICIAL	DATE REPORT SUBMITTED
		TYPE OR PRINT NAME AND TITLE	TELEPHONE *(Area code and extension)*
	b. REPRESENTATIVE CERTIFYING TO LINE 11V	SIGNATURE OF AUTHORIZED CERTIFYING OFFICIAL	DATE SIGNED
		TYPE OR PRINT NAME AND TITLE	TELEPHONE *(Area code and extension)*

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APPENDIX B

QUESTIONS AND ANSWERS TO UNIFORM GRANT AND CONTRACT MANAGEMENT STANDARDS AND THE COMMON RULE FOR UNIFORM ADMINISTRATIVE REQUIREMENTS TO STATE AND LOCAL GOVERNMENTS.

1. Is prior approval required for the leasing of films?

   Answer: No. Prior approval is only required for those costs listed in OMB Circular A-87 which are also enumerated in section 4 page 3 - 10 and section 6 page 9 - 10 of this handbook.

---

2. Is it necessary to request prior approval for computer games, computer "courseware", or computer software?

   Answer: Prior approval is required only if the cost of the item is $ 300.00 or more and has a life expectancy of more than one year.

---

3. Must library materials be inventoried?

   Answer: Library materials must be inventoried if the unit acquisition cost is $300.00 or more and has a useful life of more than one year.

---

4. Is it necessary to inventory supplies?

   Answer: No, supplies are considered expendable; consequently, they are not placed on inventory.

---

5. Do the guidelines stipulate that computer software must be inventoried?

   Answer: Computer software must be inventoried if the unit acquisition cost is $300 00

---

6. Is prior approval required for travel outside of the system?

   Answer: Beginning with FY 1983 grants, systems are not required to request prior approval from the State Library for any travel. Travel costs may only be paid for persons on grant payroll or persons employed to carry out a LSA or LSCA funded project.

---

7. Is it permissible to use the state mileage allowance and the city per diem allowance?

   Answer: A Grantee is required to follow local travel policies when such policies exist. State travel policies may be used only in the absence of local policies.

---

8. What is the procedure for disposing of property acquired with grant funds?

Answer: It is advisable to check with the State Library prior to disposing of any property purchased with grant funds. This is particularly true for System Operations grants since there are two sets of disposition instructions (pre FY 1985 and post FY 1985). If the property costs less than $1,000.00 per unit, the Grantee may sell the property and retain the proceeds from the sale. These proceeds are considered program income and may be used to further the objectives of the grant. Should the property cost $1,000 or more, the proceeds from the sale are remitted to the State Library. Proceeds from the sale of property must also be remitted to the State Library if the property: (1) was purchased with system grant funds after FY 1985 and (2) cost $300 or more per unit.

A Property Disposition Report must be filed in all instances, removing the items from inventory records. Before disposing of any property purchased prior to 1973, please check to ensure that the property was not purchased by Texas State Library and loaned to your library.

9. If property is sold, can a Grantee receive reimbursement for selling costs?

Answer: If the property had a unit acquisition cost of $1,000 or more, and the Grantee has received authorization from the state library to sell the property, the recipient may deduct and retain $100 or 10 percent from the sales process, whichever is greater, to cover selling and handling expenses.

10. Are Grantees permitted to pay an honorarium to speakers?

Answer: No, the payment of an honorarium is <u>not</u> allowable. An opinion issued by the Attorney General of Texas stipulates that the payment of an honorarium violates the Texas Constitution, which prohibits the making of any grants, gifts, or donations of public money to individuals. As a State Agency, the Texas State Library is prohibited from paying honoraria and consequently so are it's Grantees. However, a Grantee may contract for a professional service.

11. Under what circumstances is the seven year period for retaining records not applicable?

Answer: In the event there is pending litigation, if there are unresolved audit exceptions or any claims outstanding against the grant, all records must be retained until resolution has been achieved. Title II Grantees must retain records for 20 years.

12. How is a Grantee notified when the grant account is closed?

Answer: This information is generally conveyed following State Library staff review of the final audit. If there are audit exceptions, the grant is not closed until all exceptions are resolved. Once the exceptions are resolved, the Grantee receives notification from the State Library that the grant account is closed.

13. Why would the State Library suspend a grant?

Answer: The State Library will suspend a grant only if the Grantee fails to comply with the terms of the grant agreement. A grant cannot be suspended without providing written notification to the Grantee. The Grantee has 15 days to take whatever corrective action is necessary to prevent suspension from taking effect. The State Library will also suspend a grant if there is an outstanding report due from a prior year grant.

14. What is the role of the Texas State Library in bid protest involving a contract administered by the State Library?

Answer: The Texas State Library cannot settle contractual or administrative issues related to procurement. Bid protests are the responsibility of the Grantee. Any violations of law are to referred to the proper authorities.

15. When must the system coordinator prorate time to various projects? If the system coordinator has responsibility for Interlibrary Loan, does salary need to be prorated?

Answer: The system coordinator is considered an administrator and as such spends time supporting all system projects. The time of the coordinator is prorated when a project has no other staff member assigned to it. To illustrate, a system has an Audio-Visual Services project and a Publicity project, but no staff person is assigned to these projects. The coordinator allocates a portion of her time to both projects; consequently, the coordinator's time is distributed among three projects: "Administration," "Audio-Visual Services" and "Publicity". The coordinator's salary and fringe benefits are charged to each program based on the percentage of time spent (see Documentation of Time and Attendance in handbook).

If the coordinator has responsibility for the Interlibrary Loan project, documentation of time spent in this capacity is not required.

16. How should postage be assigned for systems grants?

Answers: Routinely postage will be assigned to the "Administration" project. However, if postage is being used for a specific project such as "Publicity," the cost of postage should be allocated to the project. Refer to Allocation of Costs in this handbook for specific information regarding the allocation of such costs.

17. What happens when a Financial Status Report is not filed by the due date?

Answer: The State Library will send the first overdue notice for all quarterly financial reports 15 days after the reports are to be submitted.

18. Can a Grantee appeal a decision of the State Library staff?

Answer: Yes. As part of the recommended changes to the Systems Rules and regulations, which are considered by the Commission at it's June 1983 meeting, a procedure for appealing adverse decisions of the agency has been adopted. (See Appendix for Appeals Procedure).

19. How would the item of a system-paid Grants Accountant or other financial person be charged to the systems grant?

Answer: Since the time of a staff person with financial responsibility would be spent exclusively for the general administration of the grant, all staff time would be charged to the "Administration" project unless that person is the only staff person involved in a project (e.g., "Collection Development").

20. Why is a budget revision (contract amendment) required for costs allowable with grantor agency approval?

Answer: The budget revision (contract amendment) is necessary because all prior approval costs are listed in the grant agreement and considered a part of the agreement. Any change or alteration in the prior approval costs, which are itemized in the grant agreement, constitutes a change in scope and requires a budget revision (contract amendment).

21. Do all contractual services require prior authorization from the State Library?

Answer: No, contractual services such as temporary contractual labor, maintenance agreements on equipment, film leasing or books-by-mail agreements do not require prior approval.

22. Is prior approval necessary for all professional services?

Answer: Yes. When contracting for the services of a person or firm outside of the Grantee organization prior authorization of the Texas State Library must be obtained. Prior approval is required regardless of the cost for these services.

23. What constitutes a professional service agreement?

Answer: A professional service is a cost incurred to obtain the services of a person, firm, or company with a high degree of learning in a specific area or specialization. Advertising agencies, workshop speakers, accountants, auditors, and graphic artists are examples of professional services.

24. When are budget revisions authorized and valid, including prior approval costs?

Answer: Budget revisions and prior approval costs are authorized only when the Grantee has received written approval from the Texas State Library and concurrence from the city or appropriate person with contracting authority. Authorization is obtained through a letter formally amending the respective contract.

25. What is the appropriate time to submit a grant refund?

Answer: Grant refunds should be submitted with the final Financial Status Report which is due at the Texas State Library on October 31.

26. Since prior approvals are current estimates, do I need to obtain prior approval if the actual cost of an item is higher at the time of purchase?

Answer: Yes. You are allowed to spend up to the amount stated in the prior approval section of your contract. Should the cost be higher than the stated amount, you must submit a request for prior approval to increase the amount. Conversely, if the actual cost of an item is lower at the time of purchase, you do not need to submit a request for prior approval of your contract. The amount stated as a prior approval in your contract is a ceiling.

APPENDIX C

APPEALS PROCEDURE

◆ **Subgrantees May Appeal Texas State Library Staff Decisions in the Following Areas:**

(1) Denial of grant award;

(2) Termination or suspension of grant for failure to comply with grant terms;

(3) Audit exceptions;

(4) Disallowance of grant expenditures;

(5) Failure to give prior approval to a grant cost;

(6) Procurement dispute; or

(7) Any other relevant issue arising in the administration of the grant.

◆ **General Procedural Guidelines for Disputing Texas State Library Actions:**

* Know the Texas State Library's dispute procedures.

* Document complaints and subsequent communication with the Texas State Library.

* Unless there are emergency circumstances, do not try to circumvent the Texas State Library's dispute process or skip any of the required appeal procedures.

◆ **Procedure Process:**

STEP	PROCEDURE
1	A Grantee, that wishes to appeal an adverse determination, must, within 30 days after receiving such determination, submit a brief, written notice of appeal. The notice of appeal must include a copy of the agency's adverse decision, the amount in dispute, if appropriate, and a brief statement contesting the agency's decision. This information must be submitted to the Assistant State Librarian.
2	The Texas State Library Appeals Board must within seven (7) days acknowledge receipt of the appeal notice. The Board shall be comprised of the Assistant State Librarian, the Fiscal Officer of the Texas State Library and a member of the Texas State Library and Archives Commission. Such member is to be appointed by the Chairman of the Commission.
3	Within 30 days of receiving an acknowledgment of the Board's receipt of its appeal, the Grantee will provide the Board with all materials and document's which may be relevant to the dispute, including a written statement describing errors in the agency's final decision.

4 After receiving the required documentation, the Board will conduct its review and sent a written decision to the Grantee within 30 days. If the decision of the Board is adverse to the position of the Grantee, the Board will state the basis for its decision and inform the Grantee of its right to appeal to the Texas State Library and Archives Commission.

5 The Grantee may appeal in writing to the Texas State Library and Archives Commission within 15 days following the decision of the Texas State Library Appeals Board.. The Commission Chairperson (or the designated appeals officer) will provide the Grantee's written notice of receipt and of the Commission's intent to act upon the appeal.

6 Within 45 days following receipt of notification of appeal, the Commission will review the appeals documents and schedule an open hearing. Written notification shall be provided to the Grantee 15 days prior to the scheduled hearing. Parties to the dispute shall be allowed to give testimony at the open hearing. Following the hearing, the Grantee will be informed of the Commission's decision within 15 days. If the decision is adverse, the Commission will state the basis for its decision.

APPENDIX D

GUIDELINES FOR ALLOWABLE COSTS REQUIRING THE PRIOR APPROVAL OF THE TEXAS STATE LIBRARY

¶ **Section 1:**

◆ ***Introduction.***

The Uniform Grant and Contract Management Standards for State Agencies stipulates that Grantees secure prior approval from the Grantor Agency before expending grant funds for certain allowable costs. Prior approval is prior written permission from the Texas State Library indicating the Grantee is authorized to take an action which results in obligating or expending grant funds.

These guidelines have been formulated to assist recipients of library grants in determining when and under what conditions the specific prior authorization of the Texas State Library is required. If a Grantee is uncertain whether a particular cost requires prior approval, clarification should be obtained from the Texas State Library staff.

◆ ***Costs which Require Prior Approval.***

* Automatic Data Processing Costs(items with a unit cost of $300.00 or greater)
* Building Space and Related Costs
* Capital Expenditures (items with a unit cost of $300.00 or greater)
* Insurance and Indemnification
* Pre-Award Costs
* Professional Services
* Proposal Costs

◆ ***Prior Approval Checkpoints.***

* All prior approval requests must be received and processed by the Texas State Library before purchasing equipment or services.
* The Grantee is not authorized to proceed until a written response has been received from the State Library granting approval.
* If approval is denied, the Grantee will be notified of this action.
* If a prior approval cost is not in the System Plan of Service, System Advisory Council concurrence must be obtained for Library Systems.
* Failure to obtain the requisite approval can result in such costs being disallowed and cited as an audit exception.

IF YOU NEED TO DETERMINE...	THEN GO TO PAGE...
What costs need prior approval	Appendix D • Page 1
What is an automatic data processing cost	
How to request approval for data processing costs	
When to submit bid specifications	
What constitutes a capital expenditure	
How to request prior approval for a capital expenditure	
What is a professional service	
How to request prior approval for a professional service	
State Library response time to prior approval requests	
Deadline for submitting prior approval requests	
How to request prior approval in the grant application	

◆ ***Turnaround Time Schedule.***

The Texas State Library will respond to all requests for prior approval in a timely manner. The anticipated turnaround time for specific costs is listed below. All turnaround times are from the date the State Library receives a Grantee's prior approval request. If staff seeks Commission review of a request, the stated turnaround time will be extended until the Commission review can be obtained. The Grantee will be informed that the request has been submitted to the Commission for review.

COST	TURNAROUND TIME
Equipment (except data processing)	2 Weeks
Data processing equipment, data processing services and automation consultant studies	6 Weeks
All other costs requiring prior approval	2 Weeks

The above schedule represents the maximum time required to process a request for prior approval. In some instances prior approval may be forthcoming before the stipulated turnaround time. In the event the State Library cannot meet the deadline, a letter will be forwarded to the Grantee indicating when a response can be expected. Such a letter would not constitute prior approval.

- ***Deadline for Submission for Requests.***

  All requests for prior approval of automatic data processing costs, including equipment, which would result in the expenditure of $10,000 or more must be submitted to the Texas State Library by June 1 of the grant year. Requests for all other prior approval costs may be submitted until August 1 of the grant year.

- ***Requesting Prior Approval in the Grant Application.***

  All prior approval costs must be included in the initial grant application; they will be incorporated in the grant agreement at the time it is issued. If a Grantee needs to amend the rant application or grant agreement, during the contract period, a contract revision form must be submitted which includes all pertinent information for the cost involved. The form will serve as a request to formally amend the prior approval section of the contract. It is advisable to also request an amendment for the contract budget, "Bases for Calculating Reimbursable Costs" so that the budget conforms to the prior approval section of the contract.

- ***What are Automatic Data Processing Costs.***

  All automatic data processing costs are allowable if they assist in achieving grant project objectives. However, costs of $300.00 or more must have specific, prior written approval of the State Library before costs are incurred. Data processing costs include automatic data processing services to the grant program, rental of data processing equipment, acquisition of data processing equipment and computer software. Prior approval is not required for automation project personnel, training costs, supplies, utilities, travel, and other related operating expenses.

  * Data processing services are any type of computer related services provided to the grant program. Examples of such services are contracts with AMIGOS Bibliographic Council for cataloging services, contracts for retrospective conversion and contracts for data base searches, or other computer based services.

  * Rental of data processing equipment. These costs are limited to the use of equipment on a rental or lease basis only. The rental agreement would merely transfer to the Grantee the right to use the equipment for a specified period of time. It would also allow the Grantee to terminate the rental agreement and return the equipment at any time.

- Data processing equipment purchases. Purchases of data processing equipment includes outright purchases, leases with the option to purchase, installation purchases or any other method of acquisition. Data processing equipment includes all work processing equipment, telecommunications equipment, computer software and computer "courseware." When purchasing any of these items, with a unit acquisition cost of $300.00 or more and a life expectancy of more than one year, the Grantee must obtain prior approval from the State Library.
- Consultant Studies. These costs would include retaining the professional services of a consultant for the purpose of grading bids, negotiating contracts, or assessing automation needs.

◆ ***How to Obtain Approval: ADP Costs.***

When initiating a request for prior approval of a data processing cost, the Grantee must submit a detailed project narrative in the grant application. If prior approval is requested subsequent to the submission of the grant application, a ***Program Revision Form*** must be received by the State Library (See Form I).

The project narrative must include the following information:

- A demonstration of the need for the project;
- A detailed description of the approach to be used to meet the need, including a detailed plan of action, project timetable, staffing requirements, and participant list;
- A detailed project budget, including funding from State Library grant, from member library participants, and other sources;
- Detailed and comprehensive performance measures for the project (systems must include standardized and local objectives).

If prior approval is being requested for a shared automation library system, the following supplemental information must be included in the project narrative;

- Which system member libraries will have or be receiving terminals in connection with the project. How many terminals will be at each location and what will their primary function be (e.g., circulation, online catalog, acquisitions, etc.)?
- What will the staffing requirements of the project be, including system-funded staff positions, and staff positions funded by participating libraries or otherwise?
- How will the project costs be allocated between system funds and local funds for participating system libraries?
- How do the performance objectives provided on the Standardized Reporting form break down by participating system library?

* What contractual and other agreements will govern the system libraries' participation in the project (e.g., Memorandum of Understanding)?

Bid specifications must also be submitted if the data processing cost will result in an expenditure of $15,000 or more.

◆ ***Note on Competitive Bids.***

Grantees are required to follow their own local purchasing requirements. For more information on the bid process, please refer back to Section 8 of this handbook.

◆ ***What are Building Space and Related Costs.***

These are costs incurred for space used for the benefit of the grant program. Generally, such costs are a component of the indirect cost plan or the central service allocation plan. With the exception of a MRC or regional library system which rents space to conduct the grant program, other library grant recipients are reimbursed for space through their indirect cost charges to the grant account. If operational costs, such as maintenance and utilities are not a part of the lease agreement, such costs may be charged to the grant, after securing prior approval.

A usage allowance is a charge to the grant for space used by the grant program. Normally, Grantees are compensated for the use of space through depreciation which is a component of the indirect cost plan or central service allocation plan. A Grantee may not duplicate this charge according to the Federal regulation cited in OMB Circular A-87.

If the Grantee can adequately document that they are not being compensated for the use of space through indirect cost charges, a usage allowance may be charged to the library grant after obtaining prior approval.

◆ ***How to Obtain Prior Approval: Building Space and Related Costs.***

When Grantees rent or lease space for the purpose of conducting grant activities, a copy of the lease agreement must be submitted to secure prior approval from the State Library. System grant recipients are required to submit a copy of the lease agreement only when it is initially negotiated. Once the State Library has approved the lease, it is not necessary to submit a copy each year with the Plan of Service. If claiming the space usage allowance, the Grantee must establish that such costs are not a art of the indirect cost plan or the cost allocation plan. This documentation must be included in the grant application.

- ***What are Capital Expenditures.***

A capital expenditure is an outlay of grant funds for equipment, furnishings or other capital assets. Grantees may use their accounting system's definition of a capital expenditure provided such definition includes all personal property having a useful life of more than one year and an acquisition cost of $300.00 or more per unit. For example, assume a Grantee's accounting system classifies all equipment costing $100.00 or more as a capital expenditure. Consequently, the Grantee would need to secure prior approval for those purchases costing $100.00 or more.

Under no circumstances is prior approval required for the acquisition of library materials. Even if a Grantee's accounting system classifies a book as a capital expenditure, the State Library does not need to be informed in advance of such purchases. Grantees are required to obtain prior approval for computer software and "courseware" costing more than $300.00 per unit and having a useful life of more than one year. These requirements are discussed in the section on automatic data processing costs. While library materials do not require prior approval, all items costing more than $300.00 per unit and having a useful life of more than one year must be inventoried.

- ***How to Obtain Prior Approval: Capital Expenditures.***

The Grantee must itemize all anticipated capital purchases in the grant application. The itemized list must include the unit acquisition cost and the number of units to be purchased. Information pertaining to haw the capital item will be used and how it will assist in achieving overall project objectives must be provided in the project narrative which is a part of the grant application.

The State Library will approve these anticipated purchases as a part of the overall application approval process. Equipment items budgeted in the Plan of Service or grant application which have a unit cost of less than $300.00 do not require prior approval and will not be listed in the contract. If a Grantee revises its program during the year to include new purchases prior approval will be required. Once it has been determined which items will be purchased, the Grantee should submit a ***Program Revision Form***.

- ***Insurance and Indemnification.***

A-87 stipulates that the cost of insurance required or approved in accordance with the grant agreement is allowable. Indemnification which includes insuring the Grantee against liabilities to third parties or other losses which are not compensated by insurance are allowable if provided for in the grant agreement. Prior approval must be requested by the Grantee before incurring such costs. The State Library will only approve the use of grant funds for coverage which is directly related to the activities of the grant.

Grantees are required to list the cost of any insurance and indemnification in the grant application. It is not necessary to submit a copy of the bid specifications for the insurance coverage in most cases.

- ***Pre-Agreement Costs.***

Pre-agreement costs are costs which the Grantee may incur prior to the effective date of the grant agreement. Pre-agreement costs are authorized only on an individual basis.

- ***What are Professional Services.***

These are costs incurred to obtain the services of a person, firm or company with a high degree of learning in a specific area or specialization. For example, advertising agencies, workshop speakers, accountants, auditors, graphic artists, legal advisors, collection development consultants, and building consultants. When contracting for these types of services, prior approval must be obtained.

Prior approval is not required on contractual agreements with book vendors or for equipment maintenance contracts. It is not required for film leasing, books-by-mail agreements and printing services.

Grantees are required to identify all prospective professional services in the grant application. Workshop speakers for system programs and auditors may be identified generically. Systems must provide workshop topics and the number of workshops to be held. Other Grantees are required to furnish workshop topics, date workshop is to be held, and location. If audit costs are included as a direct expense, Grantees may stipulate the generic term "auditor" and list the amount budgeted for the services.

- ***How to Request Approval for Professional Services.***

To secure prior approval for professional services, the Grantee must submit the name of the individual or firm providing the services, if known. In addition, an estimation of the cost of the services and how the acquisition of these services will assist in achieving project objectives must be provided. It is acceptable to submit only a copy of the proposed contractual agreement, with the individual or firm performing the services, if it contains the information requested along with the ***Program Revision Form***. When professional services involve workshop speakers or auditors, it is not necessary to provide the name of the firm or individual with whom the Grantee is contracting. For workshops, system grant recipients must identify the number of workshops which will be held during the grant year and the workshop topics. Other grant recipients must furnish additional specifics such as topic, tentative date, and location. When providing information regarding the services of auditors, list the generic term "auditor" and the amount budgeted for the audit.

When contracting for the services of a person or firm external to the Grantee's organization, prior authorization of the State Library must be obtained regardless of the cost for these services. For example, if the City of Frames wanted to contract with a collection development consultant to evaluate the collection of a member library for a cost of $150.00. Prior approval must be secured by the city before contracting with the consultant.

All professional services, with the exception of the audit, must be completed by the end of the grant period, August 31. Payment for these services must be made prior to October 31, the date the final Financial Status Report is due at the State Library.

- ***Proposal Costs.***

The cost of preparing proposals on potential grant agreements is allowable if stipulated in the existing grant agreement. It is not anticipated that a Grantee receiving library grants will expend funds for costs of this nature. If personnel paid from grant funds expend their time to develop proposals for potential state or federal agreements, prior approval must be obtained. For example, if the systems coordinator was spending time preparing a proposal for the Texas Department of Community Affairs, the specific prior approval of the State Library must be secured. It is also conceivable that the services of an individual may be retained by a Grantee to prepare a proposal. In such an instance, prior approval must also be obtained.

- ***How to Request Approval.***

  Should a Grantee use staff paid from grant funds to develop proposals or retain the services of an individual to prepare a proposal to obtain other federal or state grants, prior permission must be obtained from the State Library. Should an individual external to the organization prepare the proposal, the costs process for obtaining prior approval would follow the guidelines outlined for professional services on the proceeding page. If staff time will be used, the amount of time anticipated to prepare the proposal, the purpose of the proposal and the relationship of the proposed grant to the library grant must be established by the Grantee in the request for prior approval.

APPENDIX E

TEXAS STATE LIBRARY PROPERTY INVENTORY GUIDELINES
EQUIPMENT
(System Operations Grants)

¶ **Section 1:**

◆ ***Introduction.***

Since September 1973, the Texas State Library has made cash grants to local agencies of government with funds appropriated through the State Library Systems Act and Titles I and III of the Federal Library Services and Construction Act. These cash grants have frequently included budgetary authorization for the purchase of tangible personal property considered necessary to successfully carry out the purposes of the grant program. Under terms of the grant agreement, local agencies agreed to:

- submit an inventory to the Texas State Library of the tangible personal property purchased in whole or part with state and federal grant funds, or program income derived from the use of grant funds;
- conduct a physical inventory for the property at the request of the State Library to determine the condition and location of the property;
- dispose of the property in accordance with instructions from the State Library;
- maintain inventory records which list and describe the property;
- ensure that a control system is in effect to guarantee adequate safeguards to prevent loss, damage, or theft of the personal property; and
- ensure that the property is kept in good condition and that the property is used for the purposes of the grant program.

◆ ***Inventory Objectives.***

This inventory is being conducted by the Texas State Library and the local agencies which purchased grant-funded property. Specific objectives for this physical inventory of property are:

- to verify the accuracy and completeness of the descriptive record for each property item;
- to verify the existence, current utilization, and continued need for grant-funded property; and
- to reconcile the property records against the audited expenditures for property.

- ***Definitions.***

The Texas State Library requires that local agencies provide inventory records for non-expendable personal property purchased with grant funds. Local agencies must also provide inventory records for property acquired with program income generated as a result of the grant. Non-expendable personal property is defined as property having a unit acquisition cost of $300 or more, and a life expectancy of more than one year. This definition includes equipment, furnishings, computer software, books, video-cassettes, films, and other library materials.

Prior to September 1, 1982, Granteess were required to file inventory records for all equipment and furnishings with a unit acquisitions cost of $50 or more and all videocassettes and films, including bonus films. While local agencies no longer need to file inventory records for new purchases under $300, they must continue maintaining and updating the inventory records for the earlier purchases. Provisions for State Library Contracts #6 - #177 stipulated the former inventory and disposition practices which are still binding on local agencies.

- ***Scope of Inventory Project.***

The Texas State Library is limiting this phase of the inventory project to equipment and furnishings. Instructions for conducting inventories of library materials are available from the State Library in separate guidelines.

The property phase of the inventory project will be due to the State Library nine months from the receipt of these guidelines. Local agencies are to contact the Library Development Division staff if any problems arise.

To verify the condition and location of the property assigned by local agencies to other libraries in the state, the Texas State Library staff suggests that you survey the depository libraries. It is not required that you physically verify the condition of the property; rather, you can rely upon the written response of other library directors entrusted with the safekeeping of your equipment.

Within the nine month period, after you complete your inventory, you should return to the State Library one of the printouts listed below with the status and condition for each item clearly marked. You may return either list.

◆ ***Specific Instructions.***

With these instructions, the Texas State Library is sending a printout by contract number of the property purchased with grant funds. Corresponding contracts from two sources of funds (e.g., Contract 124a with state funds and Contract 124c with federal funds for library system services) are treated as separate grants. This printout will facilitate reconciliation of the amount of property listed on the inventory records with the amount of grant funds expended for tangible personal property as reported in the final Financial Status Report and/or the audit report.

By nine months from the date the guidelines are received, you should return one updated printout to the State Library. On this printout you should:

- correct any erroneous information;
- furnish information pertaining to the condition or status of the property and/or to the disposition of the property;
- add new property inventory listings which might have been omitted from the inventory records on file at the State Library.

Follow character limitations mentioned elsewhere in these guidelines whenever possible.

Use the terms given in the attached Glossary whenever possible. If no appropriate term is given for the item, furnish an appropriate term, but avoid using brand names.

The specific headings on the property inventory printouts correspond to the information requested on the Property Inventory Forms mailed in each grant agreement packet. Specific definitions for each data element follow:

Description of Property. The Texas State Library identified for each item of property a glossary term. Following this glossary term are the terms used by the local agency to describe the property. When available, the model number is used to further describe the property. If you are adding new property, please try to limit your description to 136 characters.

Identification Number. This number must ensure that the property can be uniquely identified from other similar property. Either a manufacturer's serial number or a unique inventory control number assigned locally will be sufficient. This field can satisfactorily handle a number of 13 characters. If you have two numbers separate them by means of a slash (/). Where more than 13 numbers were provided for an item, the characters after 13 were dropped. If more that 13 characters are critical for local control functions, we suggest that one set of characters be added to the Property Description field.

Contract Number. This is the number assigned by the Texas State Library. The alpha designation is essential to identifying the source of funds, so be sure to differentiate between corresponding contracts, e.g., Contract 124a and 124c.

Vendor. The vendor designation on the property inventory printout corresponds to the category "Source of Property" on the Property Inventory Form. In this column, identify the vendor, supplier or agent directly reimbursed for delivery of the property. Since this information was not requested prior to Contract 76, you are not required to report it for Contracts 6 through 52.

Purchase Price. The purchase or acquisition cost, according to federal regulations, means "the net invoice price of the equipment, including the cost of modifications, attachments, accessories, or auxiliary apparatus necessary to make the equipment usable for the purpose for which it was acquired. Other charges such as the cost of installation, transportation, taxes, duty or protective in-transit insurance shall be included in or excluded from the unit acquisitions cost in accordance with the regular accounting practices of the organizations purchasing the equipment. If the item is acquired by trading in another item and paying an additional amount, `acquisition' cost means the amount received for trade-in plus the additional outlay."

Date of Purchase. This date pertains to the date the property was purchased or acquired. This date may vary according to local accounting and property management systems, but usually it is the date the merchandise was received; however, alternative dates, such as the invoice date, are acceptable.

Local Funds. This column corresponds to the two columns on the Property Inventory Form which are labeled "% Federal" and "% State". Since most property was purchased with funds from a single contract, the State Library listed a percentage on the printout, if the property item was not exclusively state or federally funded. Therefore, you do not need to add any information to this column unless:

- local funds were used to pay a portion of the property item's cost. In this case the subgrantee would add the percent of local funds used (e.g., "10% local").
- the property item was purchased with funds from two different contracts. For example, if a projector was charged to both Contract 124a and 124c, then the subgrantee should designate in this column of the alphabetically arranged printout that "45% state, 55% federal" funds were used.

In cases where grant property was traded-in for new property, see Trade-In instructions elsewhere in these guidelines.

Condition/Status. You must designate one of the following codes for Condition (1-5) and Status (6-9) for each item of property listed on the inventory. The nine codes are the following:

Condition (list one for each item)

1. Number 1 means that the property item is new and therefore in excellent condition.
2. Number 2 means that the property is in good condition. It is in working condition and currently in use exclusively for grant-related purposes.
3. Number 3 means that the property is in good condition. It is in working condition and currently being shared between the grant program and other local library services.
4. Number 4 means that the property is in good condition. It is in working condition and currently not being used for any grant-related purposes. However, it is being used for local library services.
5. Number 5 means that the property is damaged. It is broken or in disrepair. Grantees should indicate on the annual inventory form whether an effort will be made to repair the item or whether the item will be sold or disposed of in accordance with guidelines.

Status (list one for each item)

6. Number 6 means the property item is missing.
7. Number 7 means the property item is stored (e.g., not in use). Grantees should indicate whether the property will be used in the immediate future (e.g., film projector which is used as a substitute) or whether the property is no longer serving a useful or necessary purpose. In the latter case, Grantees should indicate whether the item will be sold or disposed of in accordance with the guidelines.

8. Number 8 means the property item has been disposed of (e.g., sold or traded-in) according to the guidelines. Documentation regarding disposition should be submitted to the State Library immediately after the transaction.

9. Number 9 means the property was stolen. Stolen items should be reported to the local police and a copy of the police report submitted to the State Library. Previously number 6 was used for both missing and stolen property.

When you return the completed printout to the State Library, you must include a code from each of the two groups for each piece of property. If a designation from either condition or status grouping is not appropriate, then insert "0." For example, a missing typewriter would be "0/6" since its condition is unknown. A new typewriter would be "1/0" since its condition is new and its status does not fall into missing, stored, disposed or stolen.

Physical Location. This column must be completed for each property item. If property is located in an office or unit not under the direct governance of the local library (e.g., school library), then the location should be more specifically cited.

Date of Sale. If the property was sold, then the date on which the property was transferred to the new owner should be noted on the inventory records. See Disposition Instructions for more information regarding the sale of property.

Sale Price. Identify in this column the price for which the property was sold. Do not include selling costs, such as advertising costs in this column. See Disposition Instructions for more information regarding the sale of property.

Refund Paid TSL. Identify in this column the amount of the refund due the Texas State Library from the sale of property. See Disposition Instructions for more information regarding how to determine the amount of refund.

Other Disposition - Briefly Describe. If the property has been stolen, lost, or destroyed for whatever reason, indicate in this column a description of the problem. If the property was stolen, a copy of the police report must be on file with the Texas State Library.

Policy on Trade-Ins. Property may be exchanged for replacement property if needed. The replacement may take place either through trade-in or through sale and application of the proceeds to the acquisition cost of the replacement items. If the original property item is traded in, the subgrantee should file with the State Library a Property Disposition Form and should note that the property is being replaced. The "Sale Price" will be the "amount received for trade-in" which according to Education Division General Administrative Regulations (EDGAR) means the "amount that would have been paid for the replacement equipment without a trade-in minus the amount paid with the trade-in. The term refers to the actual difference, not necessarily the trade-in value shown on an invoice.

Assume, for example, a sub-grantee wishes to purchase a new typewriter to replace an existing typewriter. If the cost of the new typewriter is $800 without trade-in, and the cost of the new typewriter is $600 with trade-in, then the sale price or the "amount received for trade-in is $200 ($800 minus $600 equals $200).

Policy on Disposition of Property Acquired Though FY 1985

When non-expendable personal property is acquired by a grant recipient wholly or in part with federal or state funds or with program income derived from the use of federal or state funds, title shall be vested in the grant recipient.

The recipient shall retain the property in the project as long as there is need for the property to accomplish the purpose of the project, whether or not the project continues to be supported by grant funds. When there is no longer a need for the property to accomplish the purposes of the project, the recipient may use the property in connection with other library services, with priority being given to other federal or state supported library activities. When the property is no longer needed, the grant recipient may request disposition instructions from the State Library. The State Library will authorize one of the following alternatives:

(1) The subgrantee may be permitted to retain title. If the property had an acquisition cost of more than $1,000, then title may be locally retained after compensating the state or federal government an amount computed by applying the federal or state percentage of participation in the cost of the project to the fair market value of the property.

(2) The subgrantee may be directed to sell the property. If the property had a unit acquisition cost of less than $1,000 and is of no further use value, the subgrantee may be authorized to sell the property in a manner which provides for fair competition to the extent practicable, and results in the highest possible returns. Proceeds from the sale of interlibrary loan property held by a Major Resource Center shall be deposited as program income for the current interlibrary loan contract. Proceeds from the sale of all other property entrusted to a Major Resource Center from system, disadvantaged, or other grants should be deposited into the program income account for the current systems grant. If state funds were originally used to purchase the property, then the sale proceeds would be deposited into the program income account for the state systems grant. Similarly proceeds from the sale of the federally purchased property would be deposited into the federal account.

If the property had a unit acquisition cost of $1,000 or more, the recipient may sell the property and reimburse the federal or state government an amount which is computed by applying the percentage of the federal or state share in the property to the sales proceeds. The recipient may, however, deduct and retain from that amount $100, or 10 percent of the proceeds, whichever is greater, to cover selling and handling expenses.

(3) The subgrantee may be directed to transfer the property title to another subgrantee. In this case, the subgrantee shall be entitled to compensation computed by applying the subgrantee's percentage of participation in the cost of the program or project to the current fair market value of the property, plus any reasonable shipping or interim storage costs incurred. This right to transfer title applies to non-expendable personal property having a unit acquisition cost of $1,000 or more. The State Library will issue disposition instructions to the subgrantee within 120 calendar days after the end of the project period. If the State Library fails to issue disposition instructions within the 120 calendar days, the subgrantee may sell the property and reimburse the state or federal government in accordance with (2) above.

Policy on Disposition of Property Acquired After FY 1985..When non-expendable personal property with a unit acquisition cost of $300 or more is acquired by a grant recipient wholly or in part with federal or state funds or with program income derived from the use of federal or state funds, title shall be vested in the Texas State Library. Title to property with a unit acquisition cost of less than $300 shall be vested in the systemmember library for which the property was purchased.

The recipient shall retain the property in the project as long as there is need for the property to accomplish the purpose of the project, whether or not the project continues to be supported by grant funds. When there is no longer a need for the property to accomplish the purposes of the project, the recipient may use the property in connection with other library services, with priority being given to other federal or state supported library activities. When the property is no longer needed, the grant recipient may request disposition instructions from the State Library. The State Library will authorize one of the following alternatives:

(1) The subgrantee may be permitted to retain title. If the property had an acquisition cost of more than $300, then title may be locally retained after compensating the state or federal government an amount computed by applying the federal or state percentage of participation in the cost of the project to the fair market value of the property.

(2) The subgrantee may be directed to sell the property. If the property had a unit acquisition cost of less than $300 or more and is of no further use value, the subgrantee may be authorized to sell the property in a manner which provides for fair competition to the extent practicable, and results in the highest possible returns. Proceeds from the sale of the property must be remitted to the Texas State Library. The recipient may, however, deduct and retain from that amount $100, or 10 percent of the proceeds, whichever is greater, to cover selling and handling expenses.

(3) The subgrantee may be directed to transfer the property title to another subgrantee. This right to transfer title applies to non-expendable personal property having a unit acquisition cost of $300 or more. The State Library will issue disposition instructions to the subgrantee within 120 calendar days after the end of the project period. If the State Library fails to issue disposition instructions within the 120 calendar days, the subgrantee may sell the property and reimburse the state or federal government in accordance with (2) above.

When property with a unit acquisitions cost of less than $300 is purchased for a system member library, title is vested in that library. The library shall retain the property as long as it is needed to accomplish the purpose of the project. When the property is of no further use, the library may sell it. The proceeds from the sale of property may be retained for local use with no further obligation to either state or federal government.

Reconciliation Instructions. For a variety of reasons, it is possible that some variance will occur between the amount of audited expenditures for property and the amount included on the property inventory records. The grant recipient must account to the State Library for the variance.

One means for explaining the variance would involve drawing a sample of vouchers and summarizing from the sample the amount of property with a per unit acquisition cost below $50 (or $300 after September 1, 1982) and the amount of auxiliary costs (e.g., cost of installation, transportation, taxes, duty or protective in-transit insurance) which might have been excluded from the purchase prices listed on the inventories. If the variance between the audited and inventoried expenditures is consistent with the variance found on the sample, then a reasonable explanation is available.

Feel free to identify any other means which seems appropriate for explaining the variance between the amount expended for property in the audit and inventory records. If you have any questions, please contact Sharon Conable, Grants Administrator, Library Development Division, Texas State Library, Box 12927, Austin, Texas 78711 or call 512/463-6626.

APPENDIX F

TEXAS STATE LIBRARY PROPERTY INVENTORY GUIDELINES EQUIPMENT

¶ **Section 1:**

◆ ***Introduction.***

Since September 1973, the Texas State Library has made cash grants to local agencies of government with funds appropriated through the State Library Systems Act and Titles I and III of the federal Library Services and Construction Act. These cash grants have frequently included budgetary authorization for the purchase of tangible personal property considered necessary to carry out successfully the purposes of the grant program. Under terms of the grant agreement, local agencies agreed to:

* Submit an inventory to the Texas State Library of the tangible personal property purchased in whole or part with state and federal grant funds, or program income derived from the use of grant funds;
* Conduct a physical inventory for the property at the request of the State Library to determine the condition and location of the property;
* Dispose of the property in accordance with instructions from the State Library;
* Maintain inventory records which list and describe the property;
* Ensure that a control system is in effect to guarantee adequate safeguards to prevent loss, damage, or theft of the personal property; and
* Ensure that the property is kept in good condition and that the property is used for the purposes of the grant program.

◆ ***Inventory Objectives.***

This inventory is being conducted by the Texas State Library and the local agencies which purchased grant-funded property. Specific objectives for this physical inventory of property are to:

* Verify the accuracy and completeness of the descriptive record for each property item;
* Verify the existence, current utilization, and continued need for grant-funded property; and
* Reconcile the property records against the audited expenditures for property.

- ***Definitions.***

The Texas State Library requires that local agencies provide inventory records for non-expendable personal property purchased with grant funds. Local agencies must also provide inventory records for property acquired with program income generated as a result of the grant. Non-expendable personal property is defined as property having a unit acquisition cost of $300.00 or more and a life expectancy of more than one year. This definition includes equipment, furnishings, computer software, books, video-cassettes, films and other library materials.

Prior to September 1, 1982, Grantees were required to file inventory records for all equipment and furnishings with a unit acquisitions cost of $50.00 or more and all videocassettes and films, including bonus films. While local agencies no longer need to file inventory records for new purchases under $300.00, they must continue maintaining and updating the inventory records for the earlier purchases. Provisions for State Library contracts #6 - #177 stipulated the former inventory and disposition practices which are still binding on local agencies.

- ***Scope of Inventory Project.***

The Texas State Library is limiting this phase of the inventory project to equipment and furnishings. Instructions for conducting inventories of library materials are available from the State Library in separate guidelines.

The property phase of the inventory project will be due to the State Library nine months from the receipt of these guidelines. Local agencies are to contact the Library Development Division staff if any problems arise.

To verify the condition and location of the property assigned by local agencies to other libraries in the state, the Texas State Library staff suggests that you survey the depository libraries. It is not required that you physically verify the condition of the property; rather you can rely upon the written response of other library directors entrusted with the safekeeping of your equipment.

Within the nine month period, after you complete your inventory, you should return to the State Library one of the print-outs listed below with the status and condition for each item clearly marked. You may return either list.

◆ ***Specific Instructions.***

With these instructions, the Texas State Library is sending a print-out by contract number of the property purchased with grant funds. Corresponding contracts from two sources of funds (e.g., Contract 124a with state funds and Contract 124b with federal funds for library system services are treated as separate grants). This print-out will facilitate reconciliation of the amount of property listed on the inventory records with the amount of grant funds expended for tangible personal property as reported in the audit report.

You should return the updated print-out to the State Library. On this print-out you should:

* Correct any erroneous information;
* Furnish information pertaining to the condition or status of the property and/or to the disposition of the property; and
* Add new property inventory listings which might have been omitted from the inventory records on file at the State Library.

Follow character limitations mentioned elsewhere in these guidelines whenever possible.

Use the terms given in the attached Glossary whenever possible. If no appropriate term is given for the item, furnish an appropriate term, but avoid using brand names.

The specific headings on the property inventory print-outs correspond to the information requested on the Property Inventory Forms mailed in each grant agreement packet. Specific definitions for each data element follow:

Description of Property. The State Library identified for each item of property a glossary term. Following this glossary term are the terms used by the local agency to describe the property. When available, the model number is used to further describe the property. If you are adding new property, please try to limit your description to 136 characters.

Identification Number. This number must ensure that the property can be uniquely identified from other similar property. Either a manufacturer's serial number or a unique inventory control number assigned locally will be sufficient. This field can satisfactorily handle a number of 13 characters. If you have two numbers separate them by means of a slash (/). Where more than 13 numbers were provided for an item, the characters after 13 were dropped. If more than 13 characters are critical for local control functions, we suggest that one set of characters be added to the Property Description field.

Contract Number. This is the number assigned by the Texas State Library. The alpha designation is essential to identify the source of funds, so be sure to differentiate between corresponding contracts, e.g., Contract 124a and 124b.

Vendor. The vendor designation on the property inventory print-out corresponds to the category "Source of Property" on the Property Inventory Form. In this column identify the vendor, supplier or agent directly reimbursed for delivery of the property. Since this information was not requested prior to Contract 76, you are not required to report it for Contracts 6 through 52.

Purchase Price. The purchase or acquisition cost, according to federal regulations, means "the net invoice price of the equipment, including the cost of modifications, attachments, accessories, or auxiliary apparatus necessary to make the equipment usable for the purpose for which it was acquired. Other charges such as the cost of installation, transportation, taxes, duty or protective in-transit insurance shall be included in or excluded from the unit acquisitions cost in accordance with the regular accounting practices of the organizations purchasing the equipment. If the item is acquired by trading in another item and paying an additional amount, 'acquisition' cost means the amount received for train-in plus the additional outlay."

Date of Purchase. This date pertains to the date the property was purchased or acquired. This date may vary according to local accounting and property management systems, but usually it is the date the merchandise was received. However, alternative dates, such as the invoice date, are acceptable.

Local Funds. This column corresponds to the two columns on the Property Inventory Forms which are labeled "% Federal" and "% State". Since most property was purchased with funds from a single contract, the State Library only listed on the print-out a percentage if the property item was not exclusively state or federally funded. Therefore, you do not need to add any information to this column unless:

* Local funds were used to pay a portion of the property item's cost. In this case the Grantee would add the percent of local funds used (e.g., "10% local").
* The property item was purchased with funds from two different contracts. For example, if a projector was charged to both Contract 124a and 124b, then the Grantee should designate in this column that "45% state, 55%" federal funds were used.

Condition/Status. You must designate one of the following codes for Condition (1-5) and Status (6-9) for each item of property listed on the inventory. The nine codes are as follows:

Condition (list one for each item)

1. Number 1 means that the property item is new and therefore in excellent condition.
2. Number 2 means that the property is in good condition. It is in working condition and currently in use exclusively for grant-related purposes.
3. Number 3 means that the property is in good condition. It is in working condition and currently being shared between the grant program and other local library services.
4. Number 4 means that the property is in good condition. It is in working condition and currently not being used for any grant-related purposes. However, it is being used for local library services.
5. Number 5 means that the property is damaged. It is broken or in disrepair. Subgrantees should indicate on the annual inventory form whether an effort will be made to repair the item or whether the item will be sold or disposed of in accordance with guidelines.

Status (list one for each item)

6. Number 6 means the property item is missing.
7. Number 7 means the property item is stored (e.g., not in use). Subgrantees should indicate whether the property will be used in the immediate future (e.g., film projector which is used as a substitute) or whether the property is no longer serving a useful or necessary purpose. In the latter case, Grantees should indicate whether the item will be sold or disposed of in accordance with the guidelines.
8. Number 8 means the property item has been disposed of (e.g., sold or traded-in) according to the guidelines. Documentation regarding disposition should be submitted to the State Library immediately after the transaction.
9. Number 9 means the property was stolen. Stolen items should be reported to the local police and a copy of the police report submitted to the State Library. Previously number 6 was used for both missing and stolen property.

When you return the completed print-out to the State Library, you must include a code from each of the two groups for each piece of property. If a designation from either condition or status grouping is not appropriate, then insert "0." For example, a missing typewriter would be "0/6" since its condition is unknown. A new typewriter would be "1/0" since its condition is new and its status does not fall into missing, stored, disposed, or stolen.

Physical Location. This column must be completed for each property item. If property is located in an office or unit not under the direct governance of the local library (e.g., school library), then the location should be more specifically cited.

Date of Sale. If the property was sold, then the date on which the property was transferred to the new owner should be noted on the inventory records. See Disposition Instructions for more information regarding the sale of property.

Sale Price. Identify in this column the price for which the property was sold. Do not include selling costs, such as advertising costs in this column. See Disposition Instructions for more information regarding the sale of property.

Refund Paid TSL. Identify in this column the amount of the refund due the Texas State Library from the sale of property. See Disposition Instructions for more information regarding how to determine the amount of refund.

Other Disposition - Briefly Describe. If the property has been stolen, lost, or destroyed for whatever reason, indicate in this column a description of the problem. If the property was stolen, a copy of the police report must be on file with the Texas State Library.

Policy on Trade-Ins. Property may be exchanged for replacement property if needed. The replacement may take place either through trade-in or through sale and application of the proceeds to the acquisition cost of the replacement items. If the original property item is traded in, the subgrantee should file with the State Library a Property Disposition Form and should note that the property is being replaced. The "Sale Price" will be the "amount received for trade-in" which according to Education Division General Administrative Regulations (EDGAR) means the "amount that would have been paid for the replacement equipment without a trade-in minus the amount paid with the trade-in. The term refers to the actual difference, not necessarily the trade-in value shown on an invoice.

Assume, for example, a sub-grantee wishes to purchase a new typewriter to replace an existing typewriter. If the cost of the new typewriter is $800 without trade-in, and the cost of the new typewriter is $600 with trade-in, then the sale price or the "amount received for trade-in is $200 ($800 minus $600 equals $200).

Policy on Disposition of Property. When non-expendable personal property is acquired by a grant recipient wholly or in part with federal or state funds or with program income derived from the use of federal or state funds, title shall be vested in the grant recipient.

The recipient shall retain the property in the project as long as there is need for the property to accomplish the purpose of the project, whether or not the project continues to be supported by grant funds. When there is no longer a need for the property to accomplish the purposes of the project, the recipient may use the property in connection with other library services, with priority being given to other federal or state supported library activities. When the property is no longer needed, the grant recipient may request disposition instructions from the State Library. The State Library will authorize one of the following alternatives:

(1) The subgrantee may be permitted to retain title. If the property had an acquisition cost of more than $1,000, then title may be locally retained after compensating the state or federal government an amount computed by applying the federal or state percentage of participation in the cost of the project to the fair market value of the property.

(2) The subgrantee may be directed to sell the property. If the property had a unit acquisition cost of less than $1,000 and is of no further use value, the subgrantee may be authorized to sell the property in a manner which provides for fair competition to the extent practicable, and results in the highest possible returns. Proceeds from the sale of interlibrary loan property held by a Major Resource Center shall be deposited as program income for the current interlibrary loan contract. Proceeds from the sale of all other property entrusted to a Major Resource Center from system, disadvantaged, or other grants should be deposited into the program income account for the current grant. For grant recipients having no current grant from the State Library, the proceeds from the sale of property with a unit acquisitions cost of less than $1,000 may be retained for local use with no further obligation to either the state or federal government.

If the property had a unit acquisition cost of $1,000 or more, the recipient may sell the property and reimburse the federal or state government an amount which is computed by applying the percentage of the federal or state share in the property to the sales proceeds. The recipient may, however, deduct and retain from that amount $100, or 10 percent of the proceeds, whichever is greater, to cover selling and handling expenses.

(3) The subgrantee may be directed to transfer the property title to another subgrantee. In this case, the subgrantee shall be entitled to compensation computed by applying the Grantee's percentage of participation in the cost of the program or project to the current fair market value of the property, plus any reasonable shipping or interim storage costs incurred. This right to transfer title applies to non-expendable personal property having a unit acquisition cost of $1,000 or more. The State Library will issue disposition instructions to the subgrantee within 120 calendar days after the end of the project period. If the State Library fails to issue disposition instructions within the 120 calendar days, the subgrantee may sell the property and reimburse the state or federal government in accordance with (2) above.

Reconciliation Instructions. For a variety of reasons, it is possible that some variance will occur between the amount of audited expenditures for property and the amount included on the property inventory records. The grant recipient must account to the State Library for the variance.

One means for explaining the variance would involve drawing a sample of vouchers and summarizing from the sample the amount of property with a per unit acquisition cost below $50 (or $300 after September 1, 1982) and the amount of auxiliary costs (e.g., cost of installation, transportation, taxes, duty or protective in-transit insurance) which might have been excluded from the purchase prices listed on the inventories. If the variance between the audited and inventoried expenditures is consistent with the variance found on the sample, then a reasonable explanation is available.

Feel free to identify any other means which seems appropriate for explaining the variance between the amount expended for property in the audit and inventory records. If you have any questions, please contact Sharon Conable, Grants Administrator, Library Development Division, Texas State Library, Box 12927, Austin, Texas 78711 or call 512/463-6626.

APPENDIX G

TEXAS STATE LIBRARY LIBRARY MATERIALS INVENTORY GUIDELINES

¶ **Section 1:**

◆ ***Introduction.***

Since September 1973, the Texas State Library has made cash grants to local agencies of government or with funds appropriated through the State Library Systems Act and Titles I and III of the Federal Library Services and Construction Act. These cash grants have frequently included budgetary authorization for the purchase of tangible personal property considered necessary to carry out successfully the purposes of the grant program. Under terms of the grant agreement, local agencies agreed to:

- submit an inventory to the Texas State Library of the tangible personal property purchased in whole or part with state and federal grant funds, or program income derived from the use of grant funds;
- conduct a physical inventory for the property at the request of the State Library to determine the condition and location of the property;
- dispose of the property in accordance with instructions from the State Library;
- maintain inventory records which list and describe the property;
- ensure that a control system is in effect to guarantee adequate safeguards to prevent loss, damage, or theft of the personal property; and
- ensure that the property is kept in good condition and that the property is used for the purposes of the grant program.

◆ ***Inventory Objectives.***

This inventory is being conducted by the Texas State Library and the local agencies which purchased grant-funded library materials. Specific objectives for this physical inventory of property are:

- to verify the accuracy and completeness of the descriptive record for each item;
- to verify the existence, current utilization, and continued need for grant-funded materials; and
- to reconcile the property records against the audited expenditures for materials.

- ***Definitions.***

The Texas State Library requires that local agencies provide inventory records for non-expendable material purchased with grant funds. Local agencies must also provide inventory records for materials acquired with program income generated as a result of the grant. Non-expendable material is defined as material having a unit acquisition cost of $300 or more and a life expectancy of more than one year. This definition includes computer software, books, videocassettes, films, and other library materials.

Prior to September 1, 1982, Grantees were required to file inventory records for all equipment and furnishings with a unit acquisitions cost of $50 or more and all videocassettes and films, including bonus films. While local agencies no longer need to file inventory records for new purchases under $300.00, they must continue maintaining and updating the inventory records for the earlier purchases. Provisions for State Library Contracts #6 - #177 stipulated the former inventory and disposition practices are still binding on the local agencies.

- ***Scope of Inventory Project.***

The Texas State Library is limiting this phase of the inventory project to films and other library materials. This materials report is due to the State Library within six months from receipt of these guidelines. Local agencies are to contact the State Library, Library Development Division staff if any problems arise.

If any library materials are on deposit at member libraries, the Texas State Library staff suggests that you survey the depository libraries to verify the condition and location of materials. It is not necessary that you physically verify the condition; you can rely upon the written response of the local library directors entrusted with the safekeeping of the materials.

Within the six month period, after you complete your inventory, you should return to the State Library one of the printouts listed below with the status and condition for each item clearly marked. You may return either list.

◆ ***Specific Instructions.***

With these instructions, the Texas State Library is sending you two printouts of the invento records for each type of media (film, monograph, videocassette, etc.) you have filed with the state:

- A printout by contract number of materials purchased with grant funds. Corresponding contracts from two sources of funds (e.g., Contract 124a with state funds and Contract 124c with federal funds for library system services) are treated as separate grants. This printout will facilitate reconciliation of the amount of materials listed on the inventory records with the amount of grant funds expended for tangible library materials as reported in the audit, if discretely identified.
- a printout arranged alphabetically by title.

You should return to the State Library the printout by contract number. On this printout you should:

- correct any erroneous information;
- furnish information pertaining to the condition or status of the materials and/or to the disposition of materials;
- add new material inventory listings which might have been omitted from the inventory records on file at the State Library.
- Follow character limitations mentioned elsewhere in these guidelines whenever possible.

The specific headings on the inventory printouts correspond to the information requested on the inventory forms mailed in each grant agreement packet. Specific definitions for each data element follow:

Description of Material. This field includes the title of the film or other library material. When submitting information about monographic purchases on the property form, use full bibliographic citations, including copy numbers. Because of character limitations in the title field, this information will be truncated on the printout which is prepared by the State Library.

Identification Number. Include in this field the unique inventory number of films, videocassettes, computer software, etc. Either a manufacturer's serial number or a unique inventory control number assigned locally will be sufficient. For monographs, include the classification number. If possible, include the copy number in this field. If you cannot include the copy number in this field and stay within the character limitation, include the copy number in the Description of Material.

Contract Number. This is the number assigned by the Texas State Library. The alpha designation is essential to identifying the source of funds, so be sure to differentiate between corresponding contracts, e.g., Contract 124a and 124c.

Vendor. The vendor designation on the inventory printout corresponds to the category "Source of Material" on the inventory form. In this column identify the vendor, supplier or agent directly reimbursed for delivery of the material. Since this information was not requested prior to Contract 76, you are not required to report it for Contracts 6 through 52.

Purchase Price. The purchase or acquisition cost, according to federal regulations, means the net invoice price of the material. Other charges such as transportation, taxes, duty or protective in-transit insurance shall be included in or excluded from the unit acquisition cost in accordance with the regular accounting practices of the organization purchasing the equipment. If the item is acquired by trading in another item and paying an additional amount, 'acquisition' cost means the amount received for trade-in plus the additional outlay."

Date of Purchase. This date pertains to the date the material was purchased or acquired. This date may vary according to local accounting and material management systems, but usually it is the date the merchandise was received. However, alternative dates, such as the invoice date, are acceptable.

Local Funds. This column corresponds to the two columns on the inventory form which are labeled "% Federal" and "% State". Since most material is purchased with funds from a single source contract, the field is usually blank. The State Library only lists on the printout a percentage if the material item was not exclusively state or federally funded. Therefore, you do not need to add any information to this column unless:

- local funds were used to pay a portion of the item's cost. In this case the subgrantee would add the percent of local funds used (e.g., "10% local").
- the item was purchased with funds from two different contracts. For example, if a film was charged to both Contract 124a and 124c, then the subgrantee should designate in this column of the alphabetically arranged printout that "45% state, 55% federal" funds were used.

In cases where grant material was traded-in for new material, see Trade-In Instructions elsewhere in these guidelines.

Condition/Status. You must designate one of the following codes for Condition (1-5) and Status (6-8) for each item of material listed on the inventory. The eight codes are the following:

Condition (list one for each item)

Number 0 means none of the following designations apply.

1. Number 1 means that the material is new and therefore in excellent condition.
2. Number 2 means that the material is in good condition. It is in working condition and currently in use exclusively for grant-related purposes.
3. Number 3 means that the material is in good condition. It is in working condition and currently being shared between the grant program and other local library services.
4. Number 4 means that the material is in good condition. It is usable, but not currently being used for any grant-related purposes; however, it is being used for local library services.
5. Number 5 means that the material is damaged. It is broken or in disrepair. Grantees should indicate on the annual inventory form whether an effort will be made to repair the item or whether the item will be sold or disposed of in accordance with guidelines.

Status (list one for each item)

6. Number 6 means the material is missing (e.g., stolen or lost). Stolen items should be reported to the local police and a copy of the police report submitted to the State Library.
7. Number 7 means the material is stored (e.g., not in use). Grantees should indicate whether the material will be used in the immediate future or whether the material is no longer serving a useful or necessary purpose. In the latter case, Grantees should indicate whether the item will be sold or disposed of in accordance with the guidelines.
8. Number 8 means the material has been disposed of (e.g., sold or traded-in) according to the guidelines. Documentation regarding disposition should be submitted to the State Library immediately after the transaction.
9. Number 9 means the property was stolen. Stolen items should be reported to the local police and a copy of the police report submitted to the State Library. Previously number 6 was used for both missing and stolen property.

When you return the completed printout to the State Library, you must include a code from each of the two groups for each piece of material. If a designation from either condition or status grouping is not appropriate, then insert "0." For example, a missing film would be "0/6" since its condition is unknown. A new film would be "1/0" since its condition is new and its status does not fall into missing, stored, disposed or stolen.

Physical Location. This column must be completed for each material item. If the material is located at the Major Resource Center library, you should note it as the major resource center city (e.g., Abilene, Amarillo). However, if the material is located in an office or unit not under the direct governance of the MRC (e.g., school library), then the location should be more specifically cited.

Other Disposition-Briefly Describe. If the material has been stolen, lost, or destroyed for whatever reason, indicate in this column a description of the problem. If the material was stolen, a copy of the police report must be on file with the Texas State Library. If the State Library's printout already indicates a Number 6 under the Condition-Status column, then a police report is already on file with the State Library.

Policy on Trade-Ins. Material may be exchanged for replacement material if needed. The replacement may take place either through trade-in or through sale and application of the proceeds to the acquisition cost of the replacement items. If the original item is traded in, the subgrantee should file with the State Library a Disposition Form and should note that the material is being replaced. The "Sale Price" will be the "amount received for trade-in" which according to Education Division General Administrative Regulations (EDGAR) means the "amount that would have been paid for the replacement without a trade-in minus the amount paid with the trade-in. The term refers to the actual difference, not necessarily the trade-in value shown on an invoice."

Policy on Disposition of Material. When non-expendable material is acquired by a grant recipient wholly or in part with federal or state funds or with program income derived from the use of federal or state funds, title shall be vested in the grant recipient.

The recipient shall retain the material in the project as long as there is need for the material to accomplish the purpose of the project, whether or not the project continues to be supported by grant funds. When there is no longer a need for the material to accomplish the purposes of the project, the recipient may use the material in connection with other library services, with priority being given to other federal or state supported library activities. When the material no longer is needed, the grant recipient may request disposition instructions from the State Library.

The State Library will authorize one of the following alternatives:

(1) The subgrantee may be permitted to retain title. If the material had an acquisition cost of more than $1,000, then title may be locally retained after compensating the state or federal government an amount computed by applying the federal or state percentage of participation in the cost of the project to the fair market value of the material.

(2) The subgrantee may be directed to sell the material. If the material had a unit acquisition cost of less than $1,000 and is of no further use value, the subgrantee may be authorized to sell the material in a manner which provides for fair competition to the extent practicable and results in the highest possible returns. Proceeds from the sale of interlibrary loan material held by a Major Resource Center shall be deposited as program income for the current interlibrary loan contract. Proceeds from the sale of all other material entrusted to a Major Resource Center from system, disadvantaged, or other grants should be deposited into the program income account for the current systems grant. If state funds were originally used to purchase the material, then the sale proceeds would be deposited into the program income account for the state systems grant. Similarly proceeds from the sale of the federally purchased material would be deposited into the federal account. For grant recipients having no current grant from the State Library, the proceeds from the sale of material with a unit acquisitions cost of less than $1,000 may be retained for local use with no further obligation to either the state or federal government.

If the material had a unit acquisition cost of $1,000 or more, the recipient may sell the material and reimburse the federal or state government an amount which is computed by applying the percentage of the federal or state share in the material to the sales proceeds. The recipient may, however, deduct and retain from that amount $100, or 10 percent of the proceeds, whichever is greater, to cover selling and handling expenses.

(3) The subgrantee may be directed to transfer the material title to another subgrantee. In this case, the subgrantee shall be entitled to compensation computed by applying the Grantee's percentage of participation in the cost of the program or project to the current fair market value of the material, plus any reasonable shipping or interim storage costs incurred. This right to transfer title applies to non-expendable personal material having a unit acquisition cost of $1,000 or more. The State Library will issue disposition instructions to the subgrantee within 120 calendar days after the end of the project period. If the State Library fails to issue disposition instructions within the 120 calendar days, the subgrantee may sell the material and reimburse the state or federal government in accordance with (2) above.

Reconciliation Instructions. For a variety of reasons, it is possible that some variance will occur between the amount of audited expenditures for material, when available, and the amount included on the material inventory records. The grant recipient must account to the State Library for the variance. The State Library staff will evaluate whether the variance is within acceptable range.

Feel free to identify any other means which seems appropriate for explaining the variance between the amount expended for material in the audit and inventory records. If you have any questions, please contact Sharon Conable, Grants Administrator, Library Development Division, Texas State Library, Box 12927/Capitol Station, Austin, Texas 78711 or call 512/463-6626.